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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BABAK HATAMIAN, et al.,) CASE NO. 3:14-cv-00226-JD
Plaintiffs,)
v.) CORRECTED AMENDED CLASS
ADVANCED MICRO DEVICES, INC., et al.,) ACTION COMPLAINT
Defendants.) FOR VIOLATIONS OF THE
) FEDERAL SECURITIES LAWS
) LEAVE TO FILE GRANTED ON JUNE
) 10, 2014
) Jury Trial Demanded
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Court-appointed Lead Plaintiffs Arkansas Teacher Retirement System and KBC Asset Management NV (“Lead Plaintiffs”), individually and on behalf of a class of similarly situated persons and entities, allege the following against Advanced Micro Devices (“AMD” or the “Company”) and the Individual Defendants named herein, upon personal knowledge as to themselves and their own acts, and upon information and belief as to all other matters.

Lead Plaintiffs' information and belief as to allegations concerning matters, other than themselves and their own acts, is based upon, among other things, a review and analysis of (i) press releases, news articles, transcripts, and other public statements issued by or concerning AMD and the Individual Defendants; (ii) research reports issued by financial analysts concerning AMD's business; (iii) reports filed publicly by AMD with the Securities and Exchange Commission (the "SEC"); (iv) an investigation conducted by and through Lead Plaintiffs' attorneys, which included interviews of numerous former employees of AMD, GlobalFoundries, Inc. ("GlobalFoundries"), and AMD's customers on a confidential basis; (v) news articles, media reports and other publications concerning the microprocessor technology industry and markets; (vi) certain pleadings filed in another pending litigation naming AMD as a nominal defendant; (vii) other publicly available information and data concerning AMD, its securities, and the markets therefor; and (viii) information provided by a consulting expert in electrical engineering, computer science, and microprocessor fabrication. Lead Plaintiffs believe that substantial additional evidentiary support for the allegations herein exists and will continue to be revealed after Lead Plaintiffs have a reasonable opportunity for discovery.

I. NATURE OF THE ACTION

1. Lead Plaintiffs bring this federal securities class action on behalf of themselves and all similarly situated persons and entities that, between April 4, 2011 and October 18, 2012 inclusive (the “Class Period”), purchased or otherwise acquired the common stock of AMD and were damaged thereby (the “Class”).

2. AMD is a multinational semiconductor company that develops computer processors and other technologies for the consumer and commercial markets. AMD's main products include microprocessors, chipsets, embedded processors, and graphics processors used

1 in computer servers, workstations, personal computers, cell phones, and embedded systems
2 applications.

3 3. AMD is the second largest global supplier of microprocessors for desktop and
4 laptop computers, second only to Intel Corporation (“Intel”). Microprocessors, also known as a
5 “central processing unit” or “CPU,” are computer chips that act as the “brains” of a computer.
6 Microprocessors are part of the Company’s “Computing Solutions” segment, and during the
7 Class Period, AMD’s “Computing Solutions” segment accounted for over 76% of the
8 Company’s revenues. AMD sells its microprocessors to original equipment manufacturers or
9 “OEMs” like Hewlett Packard, Dell, and Sony, and through its distribution “channel,” also
10 known as the “channel.” The channel refers to third party distributors who sell AMD’s products
11 to smaller OEMs, primarily in emerging markets.

12 4. In the fourth quarter of 2010, AMD was set to launch a family of revolutionary
13 new microprocessors that combined both a CPU and a graphics processing unit (“GPU”) on the
14 same computer chip. The new chip was called an accelerated processing unit, or “APU.”
15 Combining a CPU and GPU onto a single chip was expected to dramatically increase the
16 performance of a computing system. The Company had a lot riding on the success of its new
17 APU processors, and analysts called the new APU strategy a “game changer” in the industry.

18 5. The Company’s first generation APUs were called “Brazos,” which was designed
19 to be a low-end processor, and “Llano,” which was designed to be a high-end processor. Brazos
20 was based on a technology called 40 nanometer (“nm”) that had been around for years. Llano,
21 on the other hand, was based on a new 32nm technology that provided a smaller chip and longer
22 battery life. This case arises out of AMD’s botched rollout of Llano.

23 6. Llano was extremely important to AMD because it represented both a high
24 margin product, driving profits, and would allow AMD to compete with Intel’s “Sandy Bridge”
25 32nm processor. AMD’s strategy was to gain market share from Intel, putting Llano head to
26 head with Sandy Bridge, which was Intel’s response to AMD’s integrated CPU and GPU chip.

1 7. Llano's long anticipated launch in the fourth quarter of 2010 was initially delayed
2 by problems at the chip manufacturing plant, GlobalFoundries.¹ In mid-2010, AMD told the
3 market that GlobalFoundries was having problems producing sufficient quantities of working
4 Llano chips. Specifically, the number of working chips, or the "yield" GlobalFoundries was able
5 to produce was very low. Due to the yield problems, AMD re-set the Llano launch for the
6 second quarter of 2011.

7 8. On April 4, 2011, the start of the Class Period, Defendants told the market that the
8 Llano yield problems had been resolved and were now in the past, and that Llano was set to
9 launch on time in the second quarter. Thomas Seifert, then acting CEO and CFO of the
10 Company, told analysts during a conference call that "32 nanometer yields are in line with our
11 expectations," "32 nanometer [yields] are on target," and "**we left now the 32 nanometer issues**
12 **behind us.**"²

13 9. Llano launched in June 2011 to much fanfare. In the months leading up to the
14 launch, Defendants built up the market's expectations, stating that the Company had "ample []
15 product available" for the launch and that it was "well positioned" to take advantage of the
16 seasonally high back-to-school selling cycle. Defendants also told the market that based on
17 Llano's high margin sales, "without any doubt" the Company's gross margin would increase in
18 the second half of the year. Defendants also said that they saw "broad-based" OEM adoption
19 and "very strong channel demand" for Llano. Time and time again, Defendants denied that
20 GlobalFoundries was having any current yield issues with Llano.

21 10. Defendants' statements about Llano were false and misleading. The yield
22 problems that plagued the Company in 2010 had not been resolved, and by the time of the Llano
23 launch in June 2011, AMD was significantly supply-constrained such that AMD was only able to
24 ship whatever meager supply of Llano it was able to generate to its top-tier OEM customers,
25 leaving AMD's important channel customers without any supply of Llano at all.

26
27

¹ GlobalFoundries used to be the manufacturing arm of AMD, but had been spun off by AMD
in 2009. In 2010, AMD still owned nearly a quarter of GlobalFoundries.

28 ² Emphasis is added in bold unless otherwise indicated.

1 11. Former employees from both AMD and GlobalFoundries confirmed that prior to
2 and *during* the Class Period, the Llano yield was “horrible,” that GlobalFoundries was struggling
3 through *all of 2011* to improve the yield to required levels. The microprocessor industry
4 considers a “good” yield to be approximately 80%. Moreover, according to Lead Plaintiffs’
5 consulting expert, as alleged herein, the kind of the manufacturing problems AMD was
6 experiencing would have manifested in the first batch of Llano chips in 2010, and would have
7 continued to cause poor yields until the problems were fixed, which did not occur until the fourth
8 quarter of 2011 (“4Q11”).

9 12. These former employees of both AMD and GlobalFoundries also confirm that
10 Defendants, particularly Read, Seifert, and Bergman, were fully informed of the ongoing Llano
11 yield problems. Read and Bergman attended “weekly production meetings” at AMD where they
12 discussed the status of chip production, product launches, and any other issues at
13 GlobalFoundries. Read and Seifert also participated in monthly Sales and Operations Planning
14 (“S&OP”) meetings at AMD where customer demand and existing supply of AMD products
15 were discussed.

16 13. On September 28, 2011, after the market closed, Defendants were forced to make
17 a first partial disclosure of the truth. On that date, AMD announced that the Company would
18 miss revenue guidance for the third quarter by four to six percent due to “less than expected
19 supply” of Llano. On this news, AMD stock fell nearly 14% from a closing price of \$6.15 on
20 September 28, 2011, to \$5.31 on September 29, 2011. However, Defendants continued to
21 mislead the market by touting the purported “strong” customer demand for Llano, while omitting
22 that the yield problems were so severe that AMD was unable to supply its channel distributors
23 with any Llano product at all.

24 14. Defendants’ market deception continued on AMD’s 3Q11 earnings conference
25 call with analysts on October 27, 2011, during which Defendants portrayed the supply shortfall
26 as a short-term event that was being resolved, and that investors should not worry because the
27 Company was seeing “strong customer demand” for Llano. Reinforcing this message,
28 Defendants also stated that the Company expected a “significant increase” in its shipments of

1 Llano in the upcoming quarter. In sum, Defendants' message was that once the yield problem
2 was resolved, all would be fine as sales to waiting customers would skyrocket.

3 15. Notwithstanding Defendants' reassurances, AMD's problems with Llano were far
4 from over. Unbeknownst to the market, but known to Defendants, by the time of the October 27,
5 2011 conference call, AMD's ongoing yield problem remained so severe that AMD was still not
6 yet supplying its important third party distribution channel with *any* Llano product, as all
7 available supply was being allocated to AMD's top-tier OEM customers *only*. AMD did not
8 even begin shipping Llano to the important third party distribution channel until December 2011,
9 six months after the announced "launch." Thus, a large and important segment of AMD's
10 customer base did not even begin receiving Llano processors until six months into the product
11 life cycle (and the final month of 4Q). This meant that, because of the yield problems, AMD had
12 missed out on channel sales for the lucrative back-to-school and holiday selling seasons entirely.

13 16. When AMD's third party distributors finally did start to receive Llano product,
14 channel demand was weak. AMD's failure to timely supply the channel with Llano product was
15 fatal to Llano's success and had a domino effect. Because the distributor channel did not get
16 Llano until what was now late in the product's life cycle, other vendors that built component
17 parts, namely motherboards compatible with Llano which were necessary to integrate Llano into
18 any computer, abandoned those efforts. Indeed, once AMD and GlobalFoundries resolved the
19 production problems and AMD finally began to supply the channel with Llano processors in
20 volume, vendors had already moved on from Llano and were instead focused on AMD's next
21 generation 32nm APU "Trinity" which was set to launch in mid to late 2012, and which required
22 a motherboard with a different "chip set" than was required for Llano. The excess volume of
23 Llano processors that AMD now had accumulated was unsellable, and caused an inventory glut,
24 which resulted in AMD's inventory rising to the highest levels it had been in years.

25 17. Despite these known problems, Defendants made statements throughout the Class
26 Period that demand, particularly in the third party distribution channel (and in emerging markets
27 where most channel sales occurred) was strong, that Llano was experiencing high customer
28 adoption, and that sales were high.

1 18. The truth about the botched Llano launch continued to leak out in a series of
2 partial disclosures. First, on July 9, 2012, the Company announced that it would miss second
3 quarter revenue guidance by 14% due to softer than expected channel sales in China and Europe,
4 as well as a weaker consumer buying environment impacting the Company's OEM business. On
5 this news, AMD's stock price fell more than 11%, on heavy volume.

6 19. During a second quarter earnings call ten days later, on July 19, 2012, Defendants
7 admitted that the "soft" channel sales were due to Llano supply chain problems which was
8 AMD's fault and "largely in [their] control." Defendants also revealed for the first time that due
9 to the yield issues in 2011, AMD had "prioritized shipments of Llano to our OEM customers"
10 over the channel. Once AMD was able to provide the channel with Llano, "mov[ing] forward
11 into 2012," the demand in the channel was weak. Defendants further admitted that "[t]his clearly
12 impacted Llano sales and built inventory in the channel." Indeed, inventory had increased to
13 \$833 million, up \$248 million from the prior quarter, reaching the highest levels it had in years.
14 In response to these revelations, AMD's stock price fell more than 13%, or \$0.64 per share, on
15 heavy volume.

16 20. Despite these revelations, AMD continued to tout Llano as a "good product" that
17 continued to be "important" moving forward, and that would continue to sell well despite the
18 impending Trinity launch. Defendants further reassured the market that they would fix the
19 problem and, as a result, inventory would be back to a normal level in the next two quarters.

20 21. Defendants' assurances, however, were knowingly misleading. In truth, the
21 damage had already been done, and the problem was not fixable. Rather, because of the delayed
22 availability, and in the context of a one-year lifecycle for a microprocessor like Llano, by the
23 time AMD was actually able to supply the channel with product, the industry had moved on from
24 Llano and was focused on AMD's next generation Trinity.

25 22. The full truth was finally revealed on October 11, 2012, in AMD's third quarter
26 earnings press release, and during a conference call to discuss AMD's third quarter results on
27 October 18, 2012. Despite just three months prior referring to Llano as an "important" product
28 moving forward, the Company was now writing down \$100 million of Llano inventory because

1 it was not sellable, and the write down would account for 8% of a 15% quarter over quarter
2 decline in gross margin.

3 23. In response to the above revelations, on October 11, 2012, AMD's stock price fell
4 more than 14%, or \$0.46 per share, on heavy volume. On October 19, 2012, AMD's stock price
5 fell nearly 17%, or \$0.44 per share.

6 24. In total, AMD's stock price dropped \$6.17, or nearly **74%**, from a Class Period
7 high of \$8.35 on March 27, 2012, to a low of \$2.18 a share at the end of the Class Period, due to
8 Defendants' false and misleading statements.

9 **II. JURISDICTION AND VENUE**

10 25. The claims asserted herein arise under Sections 10(b) and 20(a) of the Securities
11 Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5
12 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

13 26. This Court has jurisdiction over the subject matter of this action pursuant to
14 Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. §§ 1331 and 1337(a).

15 27. Venue is proper in this judicial district pursuant to Section 27 of the Exchange
16 Act and 28 U.S.C. § 1391(b). Many of the acts and omissions charged herein, including the
17 dissemination of materially false and misleading information to the investing public, occurred in
18 this district. AMD has operations in this district and division, including its principal place of
19 business at One AMD Place, Sunnyvale, California.

20 28. In connection with the acts alleged in this Complaint, Defendants, directly or
21 indirectly, used the means and instrumentalities of interstate commerce, including, but not
22 limited to, the mails, interstate telephone communications, and the facilities of the New York
23 Stock Exchange ("NYSE"), the world's largest stock exchange by market capitalization.

24 **III. PARTIES**

25 **A. Lead Plaintiffs**

26 29. On April 4, 2014, this Court appointed the Arkansas Teacher Retirement System
27 ("ARTRS") and KBC Asset Management NV ("KBC") to serve as Lead Plaintiffs in this action
28 pursuant to the Private Securities Litigation Reform Act of 1995 (the "PSLRA").

1 30. ARTRS is a cost-sharing, multiple-employer defined benefit pension plan that
2 provides retirement benefits to public school and other public education-related employees in the
3 State of Arkansas. ARTRS was established by Act 266 of 1937, as an Office of Arkansas State
4 government, for the purpose of providing retirement benefits for employees of any school or
5 other educational agency participating in the system. ARTRS has more than \$14.2 billion in net
6 assets held in trust for pension benefits, and includes 343 participating employers and more than
7 120,000 members as of June 30, 2013. As set forth in its PSLRA certification previously filed
8 with the Court, ARTRS purchased AMD common stock during the Class Period and suffered
9 damages as a result of the securities law violations alleged herein.

10 31. KBC is a large institutional investor based in Belgium that provides financial and
11 investment services. As part of KBC's asset management services, it is responsible for
12 managing mutual funds, private funds, and institutional funds. KBC has approximately €155
13 billion (\$215 billion) of assets under management. As set forth in its PSLRA certification
14 previously filed with the Court, KBC purchased AMD common stock during the Class Period
15 and suffered damages as a result of the securities law violations alleged herein.

16 **B. Defendants**

17 32. Defendant AMD is a Delaware corporation with principal executive offices at
18 One AMD Place, Sunnyvale, California. AMD describes itself as a designer and integrator of
19 technology that powers intelligent devices, including personal computers, tablets, game consoles,
20 and cloud servers. The Company utilizes a 52 or 53 week fiscal year ending on the last Saturday
21 in December. Throughout the Class Period, AMD common stock traded actively on the New
22 York Stock Exchange ("NYSE") under the ticker symbol "AMD."

23 33. Defendant Rory P. Read ("Read") was appointed president and Chief Executive
24 Officer ("CEO") of AMD in August 2011. Read also serves on the Company's Board of
25 Directors. Prior to joining AMD, Read served as president and chief operating officer of Lenovo
26 Group, Ltd – a leading maker of personal computers ("PCs") and one of AMD's major clients.
27 He previously spent 23 years at IBM (another one of AMD's clients and collaborators) serving in
28 various global leadership roles. Read is listed as AMD's Principal Executive Officer in the

1 Company's Form 10-K filed on February 24, 2012. During the Class Period, as more fully
2 alleged below, Read made materially false and misleading statements in AMD's quarterly
3 conference calls, SEC filings, industry events, and events for analysts, investors, and the media.

4 34. Defendant Thomas J. Seifert ("Seifert") joined AMD in October 2009 and served
5 as AMD's Senior Vice President and Chief Financial Officer ("CFO") until he resigned on
6 September 17, 2012. He served as the Interim Chief Executive Officer of AMD from
7 January 10, 2011 to August 2011, when Read was hired. Prior to working at AMD, Seifert
8 worked at Qimonda, one of the top suppliers of DRAM (memory) products for the PC and server
9 markets, where he was a member of the Management Board as well as chief operating officer
10 and chief financial officer. Seifert is listed as AMD's Principal Financial Officer in the
11 Company's Form 10-K filed on February 24, 2012. During the Class Period, as more fully
12 alleged below, Seifert made materially false and misleading statements in AMD's quarterly
13 conference calls, SEC filings, industry events, and events for analysts, investors, and the media.

14 35. Defendant Richard (Rick) A. Bergman was AMD's Senior Vice President and
15 General Manager of AMD's Product Group from May 2009 to September 2011. From
16 October 2006 to May 2009, Bergman served as Senior Vice President and General Manager of
17 AMD's Graphics Product Group. Bergman's began his career at AMD in October 2006 when
18 AMD acquired ATI Technologies where he served as Senior Vice President and General
19 Manager of PC Group. During the Class Period, as more fully alleged below, Bergman made
20 materially false and misleading statements in an AMD quarterly conference call, and at events
21 for analysts, investors, and the media.

22 36. Defendant Dr. Lisa T. Su ("Su") has served as AMD's Senior Vice President and
23 General Manager of Global Business Unit since January 3, 2012. Su served as Senior Vice
24 President of Freescale Semiconductor Holdings I Ltd. from June 18, 2007, to December 2011
25 and served as its General Manager of Networking and Multimedia from September 2008 to
26 December 2011. During the Class Period, as more fully alleged below, Su made materially false
27 and misleading statements in an AMD quarterly conference call, and at an event for analysts,
28 investors, and the media. According to the Company press release issued when Su was hired on

1 December 15, 2011 and an article published on the online edition of US print magazine EE
2 Times, Su's focus at AMD is client relationships, graphics and the game console market,
3 including in emerging markets. Su reported directly to Read and her duties included overseeing
4 an AMD task force responsible for execution and getting products out on time.

5 37. The Class Period (defined herein) begins before Read and Su join the Company
6 and ends after Seifert and Bergman leave the Company. For purposes of this Complaint,
7 "Individual Defendants" refers to Defendants Read, Seifert, Su, and Bergman collectively herein
8 to the extent they were at the Company at that time. The Individual Defendants together with
9 AMD are the "Defendants."

10 38. Each of the Individual Defendants, by virtue of his/her high-level positions with
11 AMD, directly participated in the management of the Company, was directly involved in the
12 day-to-day operations of the Company at the highest levels, and was privy to confidential
13 proprietary information concerning the Company and its business, operations, growth, financial
14 statements, and financial condition during their tenure with the Company, as alleged herein. As
15 set forth below, the materially misstated information conveyed to the public was the result of the
16 collective actions of these individuals. Each of these individuals, during his/her tenure with the
17 Company, was involved in drafting, producing, reviewing, and/or disseminating the statements at
18 issue in this case, approved or ratified these statements, or was aware or recklessly disregarded
19 that these statements were being issued regarding the Company.

20 39. As senior executive officers and/or directors of a publicly held company whose
21 common stock was, and is, registered with the SEC pursuant to the Exchange Act, and whose
22 common stock was, and is, traded on the NYSE, and governed by the federal securities laws, the
23 Individual Defendants each had a duty to disseminate prompt, accurate, and truthful information
24 with respect to the Company's business, operations, financial statements, and internal controls,
25 and to correct any previously issued statements that had become materially misleading or untrue,
26 so that the market prices of the Company's publicly traded common stock would be based on
27 accurate information. The Individual Defendants each violated these requirements and
28 obligations during the Class Period.

1 40. The Individual Defendants, because of their positions of control and authority as
2 senior executive officers and/or directors of AMD, were able to and did control the content of the
3 SEC filings, press releases, and other public statements issued by AMD during the Class Period.
4 Each of these individuals was provided with copies of the statements at issue in this action before
5 they were issued to the public and had the ability to prevent their issuance or cause them to be
6 corrected. Accordingly, each of these individuals is responsible for the accuracy of the public
7 statements detailed herein.

8 41. The Individual Defendants, because of their positions of control and authority as
9 senior executive officers and/or directors of AMD, had access to the adverse undisclosed
10 information about AMD's business, operations, financial statements, and internal controls
11 through access to internal corporate documents, conversations with other corporate officers and
12 employees, conversations with corporate officers and employees of GlobalFoundries, attendance
13 at AMD management and Board of Directors meetings and committees thereof, and via reports
14 and other information provided to them in connection therewith, and knew or recklessly
15 disregarded that these adverse undisclosed facts rendered the positive representations made by or
16 about AMD materially false and misleading.

17 42. The Individual Defendants are liable as participants in a fraudulent scheme and
18 course of conduct that operated as a fraud or deceit on purchasers of AMD common stock by
19 disseminating materially false and misleading statements and/or concealing material adverse
20 facts. The scheme: (i) deceived the investing public regarding AMD's products, business,
21 operations, and management, and the intrinsic value of AMD common stock; and (ii) caused
22 Lead Plaintiffs and members of the Class to purchase AMD common stock at artificially inflated
23 prices.

24 **IV. SUBSTANTIVE ALLEGATIONS**

25 **A. AMD Business Overview**

26 43. AMD is a multinational semiconductor company whose main products include
27 microprocessors, motherboard chipsets, embedded processors, and graphics processors for
28 servers, workstations, personal computers, cell phones, and embedded systems applications. The

1 Company's products are component parts, meaning that they have to be integrated into a larger
2 system, like a computer, in order to function. The Company manages its operations via two
3 business segments: (1) the Computing Solutions segment, which is made up mainly of
4 microprocessors; and (2) the Graphics segment, which includes graphics, video and multimedia
5 products, and game console systems.

6 44. During the Class Period, Computing Solutions accounted for 76% of the
7 Company's revenue, with over \$5 billion in net revenue in 2011. AMD's business is seasonal,
8 with most sales occurring during the back-to-school and holiday periods in the third and fourth
9 quarters. In 2011 and 2012, AMD generated more than half of its revenues from emerging
10 markets such as China. During the Class Period, AMD's top markets were as follows:

11 **AMD - Sales to external customers by country (in millions)**

| Country | 2012 | % | 2011 | % |
|----------------------|-------|--------|-------|--------|
| Greater China | 3,131 | 57.75% | 3,493 | 53.18% |
| Singapore | 856 | 15.79% | 1,056 | 16.08% |
| Europe | 469 | 8.65% | 779 | 11.86% |
| United States | 407 | 7.51% | 456 | 6.94% |

16 **B. AMD's Microprocessors**

17 45. Microprocessors are computer components that serve as the central processing
18 unit ("CPU") of a computer. A CPU is a computer chip located inside a computer that executes
19 the instructions of a computer program. CPUs are typically referred to as the "brains of the
20 computer." The performance of a microprocessor is a critical factor that impacts a computer's
21 performance. Microprocessor sales make up the bulk of the Company's Computing Solutions
22 segment, and AMD is the second-largest global supplier of microprocessors based on the x86
23 architecture used in computers and laptops, second only to Intel, its major competitor. As shown
24 in the chart below, during the Class Period, microprocessors were the core offering of the
25 Company, accounting for approximately 66% of AMD's revenues in 2011 and approximately
26 61% of AMD's revenues in 2012.

27 **AMD Segment Breakdown³**

28 ³ Source: Company reports and J.P. Morgan estimates.

1 \$ in millions, %

| | 1Q11 | | 2Q11 | | 3Q11 | | 4Q11 | |
|---------------------|---------|------------|---------|------------|---------|------------|---------|------------|
| | Revenue | % of Sales |
| Computing Solutions | \$1,200 | 74% | \$1,207 | 77% | \$1,286 | 76% | \$1,309 | 77% |
| Microprocessors | \$1,051 | 65% | \$1,062 | 66% | \$1,130 | 67% | \$1,135 | 67% |
| Chipsets | \$140 | 9% | \$136 | 9% | \$146 | 9% | \$164 | 12% |
| Embedded | \$9 | 1% | \$9 | 2% | \$10 | 1% | \$10 | 1% |
| Graphics | \$413 | 26% | \$367 | 23% | \$403 | 24% | \$382 | 23% |
| All Other | | | | | \$1 | 0% | \$0 | 0% |
| Total Revenues | \$1,613 | | \$1,574 | | \$1,690 | 100% | \$1,691 | 100% |

| | 1Q12 | | 2Q12 | | 3Q12 | | 4Q12 | |
|---------------------|---------|------------|---------|------------|---------|------------|---------|------------|
| | Revenue | % of Sales |
| Computing Solutions | \$1,203 | 76% | \$1,046 | 74% | \$927 | 73% | \$829 | 72% |
| Microprocessors | \$1,044 | 66% | \$842 | 60% | \$758 | 60% | \$672 | 58% |
| Chipsets | \$150 | 9% | \$134 | 9% | \$105 | 8% | \$93 | 8% |
| Embedded | \$9 | 1% | \$71 | 5% | \$63 | 5% | \$64 | 6% |
| Graphics | \$382 | 24% | \$367 | 26% | \$342 | 27% | \$326 | 28% |
| Total Revenues | \$1,585 | | \$1,413 | | \$1,269 | | \$1,155 | |

12 46. In order to function inside of a computing system, a microprocessor must be
13 plugged into a circuit board called a motherboard. Different microprocessors are compatible
14 with different types of motherboards. AMD does not manufacture its own motherboards.
15 Rather, AMD works with motherboard manufacturers in its distribution channel to develop and
16 manufacture motherboards which are compatible with its products.

17 47. Microprocessors are produced through a complicated process whereby a
18 fabrication plant or “foundry” must first create a silicon wafer on which to house the transistor
19 chips that make up the microprocessor. Fabrication of chips on a wafer consists of hundreds of
20 steps that result in a series of patterned layers of different materials on top of one another. A
21 foundry creates the silicon wafers by first melting and shaping silicone into what looks like a
22 long silicon tube. The silicon tube is then cut up into circular silicon slices, or “wafers.” These
23 wafers measure approximately 8-12 inches in diameter but are very thin – measuring only 1-2
24 millimeters thick, which is about 1/16 of an inch. The transistors that make up the chips are then
25 “etched” to the wafer. The wafer is then cut into tiny microprocessor chips. One wafer can
26 contain hundreds or even thousands of microprocessor chips. Not all of the chips on a wafer are
27 usable. The number of working chips that come from a wafer are referred to as the “yield.” The
28

1 more chips that work, the higher the “yield.” All this work is done in “clean rooms” and the
2 wafer cleaning process is important as even the smallest particle of dust can ruin a chip. The
3 chip manufacturing process can take up to 3 months to complete.

4 **C. AMD’s Relationship with GlobalFoundries**

5 48. During the Class Period, the bulk of the Company’s microprocessor chips were
6 manufactured by GlobalFoundries, a semiconductor fabrication plant that was created by the
7 divestiture of AMD’s manufacturing arm in 2009. By divesting its costly manufacturing arm,
8 AMD was able to decrease the volatility of its business model and its outlay of significant
9 expenditures on fabrication and new technology.

10 49. At the time of the divestiture in March 2009, AMD owned approximately 83% of
11 GlobalFoundries and occupied two board seats. By the end of 2009, AMD owned 32% of
12 GlobalFoundries; by the end of 2010, AMD owned 23%; and by the end of 2011, AMD owned
13 10% and had one board seat. The Company sold its remaining interest in GlobalFoundries in
14 April 2012. According to the Company’s Form 10-Ks from 2009 through 2011,
15 GlobalFoundries was considered a “Related Party.” During the Class Period, AMD also used
16 Taiwan Semiconductor Manufacturing Company (“TSMC”) to manufacture a small number of
17 its microprocessor products. AMD was extremely involved with its foundry partners, telling
18 investors that “AMD is involved...every step of the way” in the manufacturing process.

19 **D. AMD’s Microprocessor Customers**

20 50. The Company markets and sells its microprocessors directly to OEMs such as
21 Hewlett Packard, Dell, and Sony, and through authorized third-party distributor channel partners,
22 commonly referred to as the distribution or sales channel, or “the channel.” AMD’s authorized
23 channel distributors resell to sub-distributors and mid-sized and smaller OEMs, and original
24 design manufacturers (“ODMs”), who provide design and/or manufacturing services to branded
25 and unbranded private label resellers, OEMs, and system builders. The Company also sells its
26 products to Add-in-Board “AIB” manufacturers who build and sell motherboard products unique
27 to AMD technology. AMD distribution channel customers are located primarily in the emerging
28 markets, such as China.

1 51. AMD sales arrangements generally operate on the basis of product forecasts
2 provided by the particular customer, but do not typically include any commitment or requirement
3 for minimum product purchases. Distributors, in particular, typically maintain an inventory of
4 AMD products. In most instances, AMD agreements with distributors protect their inventory of
5 AMD products against price reductions and provide return rights with respect to any product that
6 AMD has removed from its price book that is not more than twelve months older than the
7 manufacturing code date. In addition, some agreements with AMD distributors contain standard
8 stock rotation provisions permitting limited levels of product returns.

9 52. Customer (OEM and channel) engagement is an important part of ensuring that
10 AMD's products are sold. According to the Company's Form 10-K filed on February 24, 2012,
11 AMD's sales and marketing teams work closely with AMD customers to define product features,
12 performance, and timing of new products so that the products AMD develops meet customers'
13 needs. To that end, AMD employs application engineers to assist its customers in designing,
14 testing, and qualifying system designs, including motherboards that incorporate AMD products,
15 in order to assist in optimizing product compatibility. As AMD stated: "We believe that our
16 commitment to customer service and design support improves our customers' time-to-market
17 and fosters relationships that encourage customers to use the next generation of our products."

18 53. This collaboration is important because AMD must work with its customers to
19 make sure that its microprocessors are incorporated into computing systems such as desktops or
20 laptops for sale. This process does not occur overnight. AMD must ship product to its
21 customers months ahead of the product's commercial "launch" (in other words – availability to
22 the end-user), so that the customer can build a system, like a desktop or a laptop, around the
23 microprocessor.

24 **E. The Importance of the APU Fusion Project to AMD's Success**

25 54. In 2006, AMD began developing the AMD Fusion Project with the goal of
26 creating a revolutionary new microprocessor on a silicon chip that combined both a CPU with a
27 GPU. Combining a CPU and GPU onto a single chip was expected to dramatically increase the
28 performance of a computing system. This combined chip was also expected to be attractive to

1 AMD's customers because the chip would cost less than the combined cost of a legacy
2 microprocessor and graphics processor. After nearly five years of development, the Company
3 announced that it was launching a family of microprocessors that combined a CPU and GPU into
4 what AMD called an Accelerated Processing Unit or APU. This family of APU products
5 included AMD's E-Series and C-Series APUs, codenamed "Brazos," designed for low-end
6 desktop and mobile platforms, and its' A-Series APUs, codenamed "Llano," for high-end
7 desktop and mobile platforms. AMD began shipping Brazos to its customers late in the fourth
8 quarter of 2010 so that the customers could integrate Brazos into computer products to be ready
9 for sale to consumers when Brazos "officially" launched in January 2011. Llano's launch was
10 scheduled to begin in June 2011 (and thus AMD began shipping Llano to customers months
11 ahead of the June launch so they could include Llano as part of a notebook or PC for sale to end
12 users in June).

13 55. The Company described the AMD Fusion microprocessors as "revolutionary" and
14 "groundbreaking." For example, Bergman called AMD's APUs the "dramatic evolution" of the
15 PC experience. In a press release dated January 4, 2011, announcing the APU launch, Bergman
16 stated: "We believe that AMD Fusion processors are, quite simply, the greatest advancement in
17 processing since the introduction of the x86 [microprocessor] architecture more than forty years
18 ago." Bergman explained to investors on August 8, 2011, that APU Fusion products meant
19 "better performance...better cost from a platform perspective, and...better power."

20 56. On May 18, 2011, Bergman stated:

21 The upcoming 'Llano' APU, combined with our popular C- and E-
22 series AMD Fusion APUs, **represents one of the most significant**
23 **leaps forward in computing in decades.** Our 'Llano' Fusion
24 APU will enable consumers to enjoy a brilliant high definition
experience along with unprecedented discrete-level GPU compute
power for a notebook PC We are very excited to be here in
Abu Dhabi to share with the region firsthand what the AMD
Fusion family of APUs **will mean for the industry moving**
25 **forward** as well as highlight the role of GLOBALFOUNDRIES in
helping us bring our 32nm APUs to market.

26 57. In a January 20, 2011 press release, Seifert touted the new platform's strength and
27 the effect it would have on profitability: "AMD enters 2011 with significant momentum,
28

1 amplified by the successful launch of our first Fusion APUs **I am confident we can drive**
2 **profitable growth based on the strength of new products we will bring to market.** Our
3 customers recognize that Fusion APUs are at the core of delivering the world's most vivid digital
4 experiences." On April 21, 2011, during AMD's 1Q11 earnings call, Seifert emphasized the
5 importance of the Fusion APU products to AMD's strategy: "Beyond its unique performance
6 characteristics, Fusion is also a *key part* of our overall profitability strategy."

7 58. Analysts were excited about the new Fusion APUs and saw it as an extremely
8 important development for the future of AMD. For example, Think Equity published an analyst
9 report on January 21, 2011, calling "AMD's Fusion platform strategy ... a game-changer,"
10 stating "[w]e believe that AMD's Fusion platform strategy for next-generation processor and
11 graphics on the same chip will likely lead to revolutionary platforms for desktop and notebook
12 PCs." On that same day, Barclays opined that AMD's "APU offering rollouts remains key in
13 delivering gross margin expansion" and commented that the APU Fusion product would give
14 AMD the ability to be competitive with its rival Intel.

15 **F. Hardware and Software Manufacturers' Broad Support for APUs**

16 59. AMD's APUs had to be integrated into other systems such as personal computers
17 in order to function, and software had to be adapted in order to use it. Therefore, broad and
18 coordinated support from the hardware and software communities was paramount to ensure the
19 success of the Fusion platform. To that end, along with the APU product launch, the Company
20 announced in a January 4, 2011 press release that AMD's APUs had received broad support from
21 leading computer manufacturers such as Acer, Asus, Dell, Fujitsu, HP, Lenovo, Samsung, Sony,
22 and Toshiba. In a different press release dated January 4, 2011, the Company further announced
23 "broad support" for its Fusion family of APUs "from software and hardware ecosystem
24 community." "Working closely with software vendors, developers and motherboard suppliers,
25 AMD has built a coalition of industry innovators committed to providing devices and
26 applications that leverage the combined x86 computing power and discrete-level graphics
27 performance of AMD Fusion APUs."

28

1 60. On March 7, 2011, AMD announced in a press release “growing support from the
2 PC software community with more than 50 mainstream applications currently accelerated by the
3 new AMD Fusion Family of Accelerated Processing Units (APUs).” John Taylor, AMD’s
4 Director of Client Product and Software Marketing, stated: “The huge number of applications
5 that are ideally suited to benefit from the performance and stunning graphics offered by AMD
6 Fusion processors is testament to our close collaboration with leading software developers.”

7 61. In preparation for the highly anticipated Llano launch, which would occur three
8 months later, Taylor stated: “We anticipate doubling the number of applications in the next few
9 months as we approach the launch of the A-Series ‘Llano’ APU, the next member of the AMD
10 Fusion family that is designed to enable more than 500 GFLOPs of parallel processing power in
11 mainstream notebooks and desktops.” With the hardware and software community on board to
12 integrate the APU microprocessors into computing systems, the Company appeared to be on
13 track for a widely successful product launch.

14 **G. AMD’s Channel Engagement for APU Fusion**

15 62. Throughout the APU launch, AMD reaffirmed its commitment and dedication to
16 its channel customers, particularly in the emerging markets, which were AMD’s largest markets.
17 In 2009, nearly two years before the APU launch, the Company started the Fusion Partner
18 Program, which was a special program that purportedly provided the distribution channel with
19 “robust training, sales-enablement resources, exclusive partner events, and joint marketing
20 campaigns.” On February 16, 2011, AMD announced in a press release that it had been named
21 EMEA Components Vendor of the Year at the “EMEA Channel Academy: 2011 Awards.” The
22 honor was presented to AMD for its “partner engagement, channel strategy and overall partner
23 programmes, amongst other factors.” Darren Grasby, AMD’s Corporate Vice President, Sales,
24 for Europe and Emerging Markets stated:

25 We are thrilled to receive this prestigious award recognising our
26 **complete dedication and commitment to the channel** 2010
27 has been a great year for AMD and it’s never been a better time to
be an AMD partner. The recent launch of the AMD Fusion Family
28 of APUs, designed to transform the computing experience of end
users, highlights AMD’s ability to provide innovative technology
you can trust. This accolade from our peers and the very channel
partners we serve highlights that our commitment is well-placed.

1 63. On February 17, 2011, Seifert attended the Goldman Sachs Technology and
2 Internet Conference. During the conference, he discussed how he was personally traveling
3 across the country to engage AMD customers across their whole customer “portfolio” regarding
4 the new Fusion products:

5 They [the customers] help us and push us in the right direction,
6 make sure that we understand their needs, and make sure that we
7 understand how we can better support them moving forward from
8 a product portfolio, from a feature perspective, also from a sales
9 infrastructure perspective, really important. And wherever there is
need for action, we will act. We will not lose time in this period.
And I think they appreciate that and with the actions we have been
able to demonstrate over the last couple of weeks, I think they find
we are on the right path.

10 64. On February 18, 2011, AMD announced in a press release that it had launched a
11 new marketing campaign, “Ready. Willing. And Stable. to encourage component channel
12 companies and PC enthusiasts to drive opportunities for our world-class AMD CPUs [APUs] and
13 GPUs as the ideal solution for building the best PC today.”

14 65. AMD announced in a press release on March 28, 2011 that it was honored on
15 CRN’s 5 Star Partner Program Guide for the second year in a row. “Through the AMD FPP
16 [Fusion Partner Program], AMD equips channel partners with the resources they need to drive
17 profitability with an extensive, industry-leading portfolio.” The press release stated: “We are
18 dedicated to bringing our partners the support and product innovation they rely on to grow their
19 business.”

20 66. Moreover, AMD repeatedly discussed the Company’ focus on getting the APU
21 message out to *all* of its customers (including the channel).

- 22 • We are working closely with our ODM [original design
23 manufacturing] partners to help them build the small-form-
factor, long battery life PCs [using APUs] that can help
them differentiate from the competition and succeed in
today’s competitive market.” March 15, 2011 - AMD
News Release.
- 25 • “We’re spending just an intense amount of time across our
26 business units to really understand the market data. Where
27 are the customer pain points? What’s the feedback we’re
getting from the key retailers? What is the feedback from
the customer sets that are interested in the product?
28 October 27, 2011 - Read at 3Q11 earnings call.

1 • Regarding Llano: “You’re going to see us keep that focus,
2 and it’s our commitment to continue to improve that to
3 deliver on every customer commitment. Because building
4 on that customer commitment, delivering on them, is the
5 bedrock of developing long-term customer trust, which will
6 fuel future growth.” January 24, 2012 - Read at 4Q11
7 earnings call.

5 • “And with Lisa [Su’s] team, they are meeting every day
6 with customers across the planet. I’ve probably met with --
7 I don’t know, 250, 300 major customers and partners and
8 channel members over the past 5 months.” February 2,
9 2012 - Read at Analysts Day.

8 **H. Early APU Success – Brazos**

9 67. AMD’s roll-out plan initially worked. Brazos sales were highly successful. The
10 Company began shipping its low-end APU Brazos to its customers in late 2010, ahead of the
11 official APU launch in January 2011 (so that its customers could include Brazos inside
12 computers to sell at launch). In the fourth quarter of 2010, AMD sold more than 1 million
13 Brazos units. This was a huge victory for the Company, and marked industry adoption of its new
14 APU platform.

15 68. During a conference call on January 20, 2011, Seifert stated:

16 And, we introduced a new category, the Accelerated Processing
17 Unit, or APU, changing the trajectory of processor design and
18 development from here forward.

19 ***

20 Focusing more specifically on the fourth quarter, **industry**
21 **momentum for Fusion is strong and growing. OEM adoption**
22 **of Brazos is excellent. We’ve shipped more than 1 million**
23 **Brazos platforms in its debut quarter to world-class OEMs,**
24 **including Acer, ASUS, Dell, HP, Lenovo, MSI, Samsung, Sony**
25 **and Toshiba.** Brazos’ technical performance is superb, offering a
26 unique combination of full 1080p HD video and all-day battery
27 life. At CES, Brazos-based notebooks received several significant
28 innovation awards, including Laptop Magazine’s Editor’s Choice
29 Award

30 Our AMD Fusion software ecosystem is maturing rapidly with key
31 partners, such as Adobe, ArcSoft, Corel, CyberLink, DivX and
32 Microsoft announcing applications optimized for AMD Fusion
33 APUs.

34 And finally, customers are discovering that Brazos is ideal for
35 more than notebook platforms, earning design wins in everything
36 from tablets for Internet-ready set-top boxes, [SIM] clients and
37 point-of-sale kiosks.

1 69. But while Brazos was widely successful, the crown jewel in AMD's first
2 generation APU Fusion platform was Llano.

3 **I. The Importance of Llano to AMD's Gross Margin and Competitive Future**

4 70. AMD's first generation APU processor, Brazos, was considered to be a "low-end"
5 product, whereas Llano was considered a "high-end" APU processor. This was significant
6 because unlike Brazos, which provided a smaller gross margin for the Company, Llano was
7 expected to be, as Seifert described, "highly gross margin accretive." During a conference call
8 with analysts on January 20, 2011, Seifert stated that "a strong expansion of our Llano ramp will
9 allow us to grow into a market segment." During a call with analysts on February 17, 2011,
10 Seifert told the market "[w]e have high expectations on the launch of our Llano products that
11 will lead to market share gain over the year."

12 71. Seifert touted Brazos' success to date as a stepping stone that would usher in even
13 more success for Llano, AMD's high-margin product: "So I think the momentum we have seen
14 in January is going to continue now moving into the second quarter making sure that [the Llano]
15 launch is successful." Llano was expected to have a positive effect on gross margins and
16 profitability because it would bring an "increase in price performance because the new products,
17 especially Llano, allows us to play in product SKUs that we have not been able to touch before."
18 In an August 25, 2011 conference call, Seifert stated: "[w]e have made no secret out of it that
19 the launch of -- especially of the mainstream part of our Fusion family [i.e., Llano] is going to
20 be a big lever for us to improve pricing mix and price performance for the Company moving
21 forward."

22 72. Defendants touted Llano's differentiating functionality. During the April 21,
23 2011 conference call, Seifert called Llano "the most impressive processor in history [because]
24 [i]t delivers a better end-user experience than anything else on the market, and our customers
25 have told us that." Similarly, in a June 14, 2011 press release entitled "AMD Ushers in Next
26 Generation of Computing With AMD A-Series APUs," Bergman stated that "[t]he AMD A-
27 Series APU represents an inflection point for AMD and is perhaps the industry's biggest
28 architectural change since the invention of the microprocessor," and "[i]t heralds the arrival of

1 brilliant all-new computing experiences, and enables unprecedented graphics and video
2 performance in notebooks and PCs. Beginning today we are bringing discrete-class graphics to
3 the mainstream.”

4 73. Part of the reason that Llano was such an important product for AMD was
5 because it was based on new technology even more advanced than the technology in Brazos.
6 Brazos was developed using 40 nanometer, or “nm,” technology. Nanometer refers to the layers
7 between the silicon on the microprocessor chip. 40nm processors had existed for years and were
8 considered “low power” processors. The 32nm processor, upon which Llano was based, was a
9 brand new technology that would deliver higher power performance with more efficiency in a
10 smaller chip. While AMD contracted with TSMC to manufacture the low-end Brazos, AMD
11 entrusted GlobalFoundries with the task of producing the new, high-end 32nm Llano processor.

12 74. Perhaps most important, however, Llano would allow AMD to compete with
13 Intel’s 32nm processor Sandy Bridge, which was launched in January 2011. Both Llano and
14 Sandy Bridge used 32nm technology, and both had integrated graphics processors and CPUs on
15 the same chip. However, an important distinction was that Llano had a more sophisticated
16 graphics system than Sandy Bridge. John Taylor, AMD’s Director of Client Product and
17 Software Marketing, demonstrated this difference at the CEBIT 2011 Conference in Hanover,
18 Germany, in a video documenting the demonstration that was widely distributed to the market on
19 March 3, 2011.⁴ AMD hoped to capitalize on this difference to gain market share from Intel.

20 75. Analysts understood AMD’s message regarding the importance of Llano to the
21 Company, specifically as it related to competition with Intel. For example, on October 19, 2010,
22 Bloomberg commented that “Llano is part of a push to integrate advanced graphics into
23 processors, creating products that rival Intel.” On January 21, 2011, Barclays stated
24 “Llano/Fusion APU offering rollouts remains key in delivering gross margin expansion while
25 also enabling AMD to remain competitive with new [Intel] Sandy Bridge.” On May 16, 2011,
26 Sterne Agee stated that Llano would allow “AMD [to] continue to gain share [from Intel] in the
27

28 ⁴ <https://www.youtube.com/watch?v=XqBk0uHrxII>

1 integrated graphics chips market in C2Q11.... AMD's Llano ASPs [average selling price] are
2 very competitive to [Intel's] SandyBridge ASPs with good graphics performance." A July 21,
3 2011 article published on Dow Jones News stated "[w]hile Intel's chips first targeted
4 ***mainstream and high-end*** computing, AMD's were geared toward low-end notebooks and
5 netbooks. AMD recently introduced its Llano chip for mainstream PCs, and Chief Financial
6 Officer Thomas Seifert said Thursday that ***Llano should allow AMD to 'increasingly***
7 ***participate' in mainstream and performance notebook segments."*"**

8 **J. Initial Delays in Llano Launch**

9 76. Llano was initially set for commercial launch in the fourth quarter of 2010, which
10 would have given AMD a decided advantage over Sandy Bridge, which was set to launch in
11 January 2011. However, GlobalFoundries encountered problems in 2010 with developing and
12 producing AMD's new APU technology. During a call with analysts on July 15, 2010, Dirk
13 Meyer, then CEO of AMD, told the Company, "Llano, our Fusion APU offering, aimed at the
14 higher end of the client market is also generating positive customer response. However, [due to]
15 a slower than anticipated progress of 32 nanometer yield curve, we are switching the timing of
16 ... Llano production ramps. Llano production shipments are still expected to occur in the **first**
17 **half of next year.**" Meyer explained that the issue with the 32nm Llano processor was the yield:
18 "We have seen the rate of yield earnings below our plans on 32 nanometer. [W]e take a bit more
19 time to work on the 32 nanometer yields up the curve. So, the effective change to our internal
20 plans on Llano amounts to a couple of months."

21 77. On August 4, 2010, Wedbush Securities analyst Patrick Wang emphasized just
22 how important AMD meeting this new deadline would be: "AMD's delayed release schedule for
23 its Llano processor, based on its new Fusion design, puts it at a competitive disadvantage to
24 Intel," in light of Intel's "launch of its Sandy Bridge processor... It's extremely important they
25 execute on the Fusion products that should be rolling out in the next few quarters."

26

27

28

1 **K. Llano's Significant Yield Issues Persist Throughout 2011 and Are Known By**
2 **Defendants But Hidden From Investors**

3 78. Despite the yield setbacks in 2010, Defendants repeatedly told the market in early
4 2011 that the yield problems had been resolved and that Llano was on track to launch in the
5 second quarter of 2011. However, unbeknownst to the market, but known to Defendants, the
6 significant yield problems that existed in 2010 continued to plague the Company throughout
7 2011. Due to those yield problems, the Company prioritized shipments of Llano to its top tier
8 OEM customers, leaving virtually no Llano product for its important channel customers. Prior to
9 and during the 2Q11 launch, the Company did not sell any Llano processors to the channel.
10 During 3Q11, the prime back-to-school selling season, the Company did not sell any Llano
11 processors to the channel. In fact, it took the Company until December 2011, nearly six months
12 after the Llano launch, to start shipping Llano to the channel. By this point, the channel's
13 interest in Llano had waned and Llano sales to the emerging markets (serviced through the
14 channel) did not materialize over the following quarters. By the time the Llano yield issues were
15 resolved, the industry had moved on to AMD's new APU processor Trinity, which was set to
16 launch in 2012.

17 79. During the Class Period, however, Defendants represented that yield was not a
18 problem, that they fully expected to capitalize on customer demand during the ensuing months
19 after the Llano launch, and that customer demand and adoption of Llano was significant.

20 80. For example, in an April 4, 2011 conference call with analysts (at the beginning
21 of the Class Period), just two months before the Llano launch, Seifert assured the market that the
22 32nm yield issues were behind the Company and that Llano was on schedule for a second quarter
23 launch. Seifert stated unequivocally "Today 32 nanometer yields are in line with our
24 expectations," "32 nanometer today is where we want it to be," and "yields on 32 nanometer are
25 on target." Seifert also stated that AMD was not expecting "lower than anticipated yield
26 scenarios" and that "**we left now the 32 nanometer issues behind us.**"

27 81. During the call, the Company also announced a new Wafer Supply Agreement
28 ("WSA") with GlobalFoundries. The WSA "tied the 32 nanometer pricing to paying for good 32

1 nanometer die [or individual chips].” This differed from the old WSA because instead of paying
2 GlobalFoundries for whole wafers (which could contain both good and bad chips), AMD would
3 only pay for good 32nm chips on the wafers. The WSA also provided an additional incentive for
4 GlobalFoundries – AMD agreed to make additional quarterly payments to GlobalFoundries
5 during 2012 if GlobalFoundries met specified conditions related to continued 32nm capacity in
6 2012. Defendants specifically denied any suggestion that the new WSA signaled a yield
7 problem, stating that the yield was in line with expectations and that the yield problem was
8 behind AMD. Defendants further stated that the WSA merely provided AMD downside
9 protection and would effectively ensure that GlobalFoundries would provide sufficient yields of
10 the 32nm Llano chip by highly incentivizing GlobalFoundries’ production of the chip.

11 82. Analysts were comforted by Defendants statements about yield and the changes in
12 the WSA and believed it signaled a smooth ramp for Llano. In a report issued on April 4, 2011,
13 an analyst from Sterne Agee stated:

14 AMD over the weekend also amended its wafer supply agreement
15 with GlobalFoundries (GF), securing its 32nm wafer supply. **We**
believe this should be positive as AMD ramps 32nm Llano and
16 new Server products later in the year. **This should enable AMD**
to transition from current 40nm to 32nm and drive better
margins.

17 83. On that same day, an analyst from Wells Fargo issued a report stating that the new
18 WSA agreement had actually decreased the risk of a Llano delay due to yield issues:
19

20 We had been concerned that there may be further delays on Llano,
21 and **it would appear that the risk of another pushout to the**
Llano schedule is dropping. AMD was able to reaffirm its 2011
gross margin expectation while temporarily moving to a
foundry payment scheme (payment for good die rather than
for wafers) which we think involves lower risk.

22 84. During the April 21, 2011 conference call, AMD also announced “solid” first
23 quarter results due to its new APU platform. Seifert then assured the market that “Llano based
24 systems [would be] available in this [the second] quarter.” Seifert told the market that the
25 success with Brazos, which included “tripling unit shipments of...Brazos” in the quarter, would
26 be followed by an even greater ramp of the higher ASP [average selling price] Llano. Bergman
27 also acknowledged that the timing of the Llano ramp was “critical,” insofar as Llano was set to

1 launch during the important back-to-school season, but Seifert assured investors that AMD
2 would have “ample...product” of the Llano processor available for sale. Seifert also touted
3 AMD’s emerging market success, the “strong demand” and adoption of APUs in the channel,
4 and called it a “**very strong channel business.**”

5 85. The market clearly understood Defendants’ statements to mean that Llano was in
6 “successful production.” For example, on April 25, 2011, Susquehanna Financial Group LLP
7 published a report about AMD, stating:

8 Still plenty of opportunity to gain share this year. We believe the
9 opportunity for AMD this year is fairly straightforward and fairly
10 well understood – Brazos, Llano and Bulldozer for servers, which
11 all have the potential to take share and be accretive to margins if
12 successful. **Although production risks are smaller now that**
13 **Llano is in successful production.**

14 86. Defendants continued to hide AMD’s yield problem from investors. During a
15 May 17, 2011 JP Morgan Technology, Media, and Telecom Conference, Seifert again touted the
16 Llano launch and told the market that there was “**no tightness in wafer supply.** There are no
17 signs that we are going to be wafer constrained from a pure wafer capacity point of view at this
18 point in time.” Seifert also reiterated the importance of the Llano model because it would be
19 “margin accretive from a price performance point of view because it allows us to upsell. It
20 allows us to play in segments of the notebooks that we have not been able, and price SKUs that
21 we have not been able to address before.” Seifert continued that Llano would have a meaningful
22 impact on the business in the “second half of the year.” Based on this “strength especially in the
23 second half,” the Company “increased their gross margin guidance to a range of 44% to 48%”
24 for the year.

25 87. During AMD’s second quarter earnings conference call, on July 21, 2011, Seifert
26 touted the Llano launch, telling the market that Llano was expected to outpace the hugely
27 successful Brazos in terms of sales, that customer adoption was “strong,” and that sell through
28 was “excellent.” Seifert also told the market that gross margins would go up in the second half
 of the year due to Llanos’ “margin accretiveness.” Seifert again assured the market that the
 Llano yield issues were in the past, stating that the Company was “receiv[ing] all the support

1 [they] need” from GlobalFoundries, and based on that support, AMD fully expected to deliver on
2 its increased guidance from high output and sales of Llano.

3 88. Consistent with Defendants’ positive statements on the Llano launch, AMD’s
4 stock increased nearly 20% from a closing price of \$6.50 per share on July 21, 2011, to a closing
5 price of \$7.75 on July 22, 2011.

6 89. During the next two months, Defendants repeatedly touted the adoption of Llano
7 and strong customer demand, while denying any yield issue existed. For example, during the
8 August 8, 2011 Pacific Crest Securities Technology Leadership Forum, Bergman touted Llano
9 adoption, design wins, and the “back-to-school” selling season. He also denied that there were
10 any issues with GlobalFoundries that would “change” the AMD “roadmap” moving forward, and
11 that AMD was “well-positioned” with respect to GlobalFoundries.

12 90. On August 25, 2011, the Company announced that Rory Read was hired as CEO.
13 During that call Seifert and Read touted APU adoption, the importance of the APU platforms to
14 the Company’s success, and the importance of the foundry (i.e., GlobalFoundries) with regard to
15 the products that had been launched that year – namely Brazos and Llano.

16 91. On September 13, 2011, with only two weeks left to the 2011 third quarter,
17 Seifert spoke at the Deutsche Bank Technology Conference, discussing what a “huge [] success
18 []” Llano was, and that it was doing “extremely well” in the market, attributing strength in
19 emerging markets to Llano.

20 **1. Former Employees From Both AMD and GlobalFoundries
21 Substantiate Significant Llano Yield Problems and Defendants’
22 Knowledge Thereof Throughout 2011**

23 92. The yield problems GlobalFoundries was experiencing with Llano were
24 significant and well-known by Defendants at the time they made Class Period statements to the
25 market that no such problems existed, thus making those statements false and misleading.
26 Multiple former employees from both AMD and GlobalFoundries confirm that the Llano yield
27 problems were substantial throughout 2011, and that Defendants Read, Seifert, and Bergman
28 were well-aware of the problem.

1 93. CW2 was the former Director of Finance at GlobalFoundries at the Malta, New
2 York location from October 2009 through August 2012. CW2 was responsible for starting up
3 the Malta Fab by building up its finance organization. CW2 was also heavily involved in
4 working on the 2011 Wafer Supply Agreement with AMD. CW2 reported to the
5 GlobalFoundries CFO. While CW2 was employed in Malta, he⁵ spent two-thirds of his time at
6 the Dresden and Singapore fabrication facilities. CW2 stated that problems with the Llano's
7 yield were known by late 2010 or early 2011, and that ***GlobalFoundries was struggling through***
8 ***all of 2011 to improve the Llano yield to required levels.*** According to CW2, the Llano yields
9 were in the teens or even single digits in late 2010/early 2011 and that GlobalFoundries kept
10 missing deadlines and experienced delays. CW2 further recalled the Llano yield issue as going
11 on for a year to a year-and-a-half, ***throughout 2011,*** and described it as a "nagging thorn" in
12 GlobalFoundries' side.

13 94. CW3 was employed as an Engineer Manufacturing Operator by GlobalFoundries
14 in the company's Malta, New York fabrication facility from June 2011 to May 2012. CW3 was
15 responsible for driving production to meet scheduling demands on some of the Malta plant's
16 production lines, including Llano. CW3 reported to Thomas Beeg, Senior Section Manager of
17 Manufacturing Operations. According to CW3, "Fab 1" in Dresden was the main manufacturing
18 facility for Llano, although his Fab – Fab 8 in Malta, and Fab 7 in Singapore, also produced
19 Llano. CW3 recalled that GlobalFoundries was not meeting any of its production deadlines from
20 ***June 2011(when he started at the Company) throughout October 2011,*** including with Llano.

21 95. CW4 was the former Controller of Technology and Alliances at GlobalFoundries
22 from August 2011 through June 2013. CW4 described his role as the controller for worldwide
23 research and development and reported to Timblin Kelleher, the Senior Director of Finance, and
24 Chief Technology Officer Gregg Bartlett. CW4 recalled that ***when his tenure started at the end***
25 ***of August 2011, the yields on Llano was "horrible."*** CW4 advised that it took many batches to
26 produce just a few Llano microprocessors that could be supplied to AMD at that time. CW4

27

⁵ All CWs will be described with male pronouns regardless of gender in order to protect their
28 identity.

1 stated specifically that improving yield, even a 20% improvement, was "insanely difficult" to
2 achieve, and that any improvement in the yield was a gradual process that occurred over time
3 and not something that happened overnight.

4 96. CW5 was the Senior Director, Silicon Design and Platform Engineering at AMD
5 from September 1984 through March 2013. CW5 worked on Electrical and Logical Validation,
6 Debug, and Platform Silicon Infrastructure for all AMD CPUs, chipsets, and integrated video
7 translation products. CW5 also worked on the back end of all the issues that delayed Llano.
8 CW5 recalled that Llano experienced a lot of technical difficulties and delays and explained that
9 the issues with Llano were known to the Company "when [AMD] got [the] first prototypes."

10 97. CW2 advised that he was heavily involved in working on the new pricing
11 agreement on the Llano wafers in 2011, and that AMD requested the new agreement due to the
12 low yield on Llano. According to CW2, he had weekly calls with AMD employees just on the
13 wafer agreement and pricing alone.

14 98. CW2 recalled that the original pricing agreement called for per-wafer pricing.
15 CW2 explained that a wafer produces multiple "chips," or "devices," with an expected yield of
16 chips from that wafer. If, for example, one assumes an expected yield of 100 chips from a wafer,
17 the pricing assumes that you will get 90 chips so there is an inherent yield loss of 10. CW2
18 recalled that the initial Llano yield was so low, in the single digits and low teens, that the price
19 per wafer was "killing" AMD. CW2 continued that AMD renegotiated to a price per chip,
20 which, as CW2 explained, a semi-conductor manufacturer like GlobalFoundries never wants to
21 agree to because it is a "worst case scenario for the manufacturer." CW2 described the
22 negotiation as including what the pricing should be based on (chip versus wafer), and how
23 quickly the yield would improve and curve-up.

24 99. CW6 was employed at AMD from December 2004 through February 2014, and
25 his most recent title was Senior Member of Technical Staff. CW6 reported to Greg Hunt, who
26 was a Senior Manager, Product Development Engineer. It was CW6's responsibility to support
27 AMD's engineering division. CW6 explained that the yield issues occurred because the Llano
28 production process was "not clean at all." CW6's account is corroborated by the Lammers

1 Article⁶ which confirmed that the low yield was due to problems with “clean” wafers.
2 According to the article, an executive at GlobalFoundries explained that “Single-wafer clean
3 tools from Dai Nippon Screen (DNS) were used much more widely, a key factor in the yield-
4 enhancement campaign Getting the particles off the wafers with single-wafer cleans was one
5 of the main things they figured out. We also bought a bunch of brightfield inspection tools
6 [special cleaning tools]. And there were some back-end copper issues that got figured out.” As
7 explained in Section IV.K.2. below, the nature of the yield problems (the “clean” issue and the
8 wiring issues) were problems that would be identified early on in the process and would persist
9 until fixed in late 2011.

10 100. Multiple CWS also stress that both AMD and GlobalFoundries were extremely
11 focused on the Llano yield problem throughout 2011, and both companies were devoting
12 massive amounts of resources to try to fix it.

13 101. CW5 stated that the quality issues that AMD had with Llano needed to be fleshed-
14 out and AMD sent a “big-shot,” VP John Docherty, to Dresden to oversee what needed to be
15 done.

16 102. CW7 was employed at AMD from June 2007 through November 3, 2011 and his
17 most recent position (from approximately March 2010 through November 2011) was Director of
18 Finance-Global Research and Development, working at the Company’s research and
19 development organization. CW7 reported directly to Corporate Controller Darla Smith, but had
20 also worked under Seifert as well during his time at AMD. CW7 stated that he understood
21 Llano, Trinity, and the “product roadmaps” given how senior he was in the finance group at
22 AMD. CW7 stated that Seifert and Read were kept apprised of Llano production issues, and
23 added that Bergman was involved as well. In fact, CW7 stated that Seifert and Read were
24 “intimately” involved in any production issues at GlobalFoundries related to Llano, especially
25 ones that might risk sales. According to CW7, Read “owned R&D [research and development of
26 products]” and along with Bergman, Read attended a “weekly production meeting” where they

27
28 ⁶ March 16, 2012 article by David Lammers titled: “GlobalFoundries Yield Rebound” (the
“Lammers Article”).

1 discussed the status of chips, launches, and any issues at GlobalFoundries. After attending these
2 meetings, Bergman would report directly to Seifert and inform Seifert about what was discussed
3 at the meetings.

4 103. CW4, who stated that the yields were “horrible” when he started at
5 GlobalFoundries in August 2011, recalled that the initiative to improve the yield on Llano was
6 GlobalFoundries “singular focus.” According to CW4, that included spending approximately
7 \$30-\$40 million to send “ex-pats” to Dresden to assist in attempting to improve the yield. CW4
8 explained that ex-pats were non-Germans who were sent from the Malta and Singapore fabs to
9 Dresden to help get the yield up. CW4 further explained that spending \$30-\$40 million on ex-
10 pat moves (which involved moving their families to Dresden as well) was unheard of. CW2
11 corroborated this, stating that GlobalFoundries, *beginning in early 2011*, started transferring
12 around 30 – 40 employees (ex-pats) from Malta and Singapore to Dresden to help address the
13 yield issue, and that around 100 GlobalFoundries engineers in total were dedicated, *throughout*
14 *all of 2011*, to improving the Llano yield. CW5 also corroborated that AMD sent a team to be
15 re-located on-site in Dresden at GlobalFoundries. CW5 expressed how important Llano was to
16 AMD stating, “we put a lot of skin in the game!”

17 104. CW2 described the Llano yield being an urgent issue for everyone at the two
18 companies, stating that everyone at AMD and Global Foundries were “flipping-out” over the
19 Llano yield problem. CW2 explained that, for GlobalFoundries, Llano was the key product start-
20 up in its Dresden Fab which had recently (at that time) been re-done, and it was the first
21 technology transfer to its new Fab in Malta. CW2 described Llano as a “critical milestone for
22 both companies.”

23 105. CW2 also confirmed that there was an active engagement between AMD and
24 GlobalFoundries throughout the process of producing Llano. For example, CW2, corroborating
25 both CW4 and CW5, stated that AMD “had employees in the plants working in the Fabs trying
26 to fix” Llano. CW2 estimated that it was around a 50/50 breakdown on engineers from both
27 Companies trying to rectify the problem.
28

1 106. CW4, who started working at GlobalFoundries in August 2011, recalled that there
2 were “huge weekly meetings at multiple levels,” involving AMD and GlobalFoundries
3 employees from around the world, related to Llano. CW2, who stated that the yield issues
4 occurred throughout all of 2011, also described “so many” daily and weekly meetings between
5 AMD and GlobalFoundries discussing the Llano yield.

6 107. CW2 further explained that getting any semiconductor to the market at the right
7 point in time to meet key selling seasons, such as “Christmas or back-to-school [was] critical”
8 because the pricing declines 3 or 4% each quarter thereafter. CW2 continued that a
9 semiconductor needs to hit that window dead-on or all of that pricing and profitability will be
10 lost. CW8, former member of Technical Staff and Design Engineer at AMD from May 2006
11 through December 2012, corroborated CW2’s account. CW8 worked closely with the pre-silicon
12 design and IP integration of Llano. CW8 stated that the delays made Llano non-competitive, and
13 that Llanos chances in the marketplace were drastically reduced. CW9 was a former R&D
14 Specialist at Asus in Taiwan from January 2007 through April 2011. Asus was a motherboard
15 manufacturer for Llano. CW9’s responsibilities included rewriting the “CPU reference code of
16 AMD’s Llano to enhance the algorithm for more power” and to enhance the performance of the
17 motherboards for the retail market. CW9 stated that there was a finite window for a company to
18 get its microprocessor to market before the next generation takes its place, and that “Llano took
19 too long.” CW4 also corroborated this stating that by the time GlobalFoundries was able to raise
20 the yield to an acceptable level, the market had moved on.

21 108. Moreover, throughout 2011, Defendants knew, or were reckless in not knowing,
22 that whatever Llano supply existed was being shipped to OEMs and not to any channel
23 distributors.

24 109. CW7 stated that AMD had a very robust and sophisticated system in place to
25 track production, customer demand, and inventory. According to CW7, AMD projected
26 customer demand at least six months in advance of the customer needing the product. CW7
27 explained that there was a monthly S&OP [Sales and Operation Planning] cycle at AMD – every
28 month they would take a “pulse” of the latest demand versus their supply situation. CW7 stated

1 that the demand planning process was an “enterprise wide” process that involved monthly
2 executive S&OP reviews, which included reviewing all details relating to supply and demand.
3 Read and Seifert would attend these monthly executive meetings.

4 110. CW2 recalled that AMD allocated Llano supply to its customers “because of such
5 low yields,” and there was trouble getting Llano out to OEM and channel distributors.

6 111. CW9 explained the effect the Llano delays had on motherboard manufacturing.
7 CW9 stated that in April 2012, the head of an R&D department at Asus in Shanghai, China, told
8 him that the “original schedule” for designing the Llano motherboards “was thrown out the
9 window” due to AMD’s delay in providing the Llano, and that the “manufacturing process” was
10 “broken” because AMD “did not supply the [motherboard] chipsets in time,” thereby delaying
11 the manufacturing schedule in connection to the Llano motherboard.

12 **2. Lead Plaintiffs’ Industry Expert Explains the Nature of the Llano**
13 **Yield Problems and the Failure of Customers to Adopt Llano**

14 112. Lead Plaintiffs consulted with an expert in the semiconductor industry (“Expert
15 A”). Expert A has approximately 25 years of direct industry experience with microprocessor and
16 chip design, yield, and supply chain management, and gained this experience through various
17 high-level positions at IBM, Intel, Samsung, Sandisk, Texas Instruments, and Qualcomm.

18 113. In particular, Expert A has extensive experience in the design, manufacture, yield,
19 and marketing of semiconductors chips, including microprocessors. In Expert A’s various roles,
20 he was responsible for new chip launches (including microprocessor design and product launch)
21 and scheduling and managing chip die output that were shipped to OEMs and to the distribution
22 channel to make finished consumer products (computing devices). Part of Expert A’s
23 responsibility also included managing factory microprocessor die yield and supply chain. For
24 new chip launches, Expert A was responsible for schedule and execution of next generation
25 engineering samples, production samples, and high volume shipments (~ 50+ millions of units)
26 during the first year of market introduction. Expert A has also served multiple times as an expert
27 witness in chip and microprocessor litigation.

1 114. Expert A was asked to describe, based on his knowledge and expertise: (a) the
2 steps involved in launching a product such as AMD's Llano APU from production to retail
3 shipment, and to construct a timeline illustrating the same; (b) the nature of the manufacturing
4 problem AMD was experiencing with its Llano APU, and the resolution of the problem; (c)
5 Llano product launch milestones from wafer start to retail shipment; (d) based on the production
6 launch timeline and the nature of the yield issues, when the problem would have been identified,
7 and the latest the problem needed to have been fixed in order to launch successfully; (e) the
8 product lifecycle of microprocessors like Llano and how next generation products impact the
9 current product; and (f) how delays in production might impact other companies in the supply
10 chain. The below summarizes Expert A's informed conclusions.

(a) Yield and Manufacturing of Computer Chips

115. Chip yield is the ratio of good chips to total chips made and a yield of 25% would
mean that for every four chips manufactured only one chip could be sold. In Expert A's
experience and based on industry standards, a good yield level for a fabrication plant is about
80% (8 out of every 10 chips can be sold).

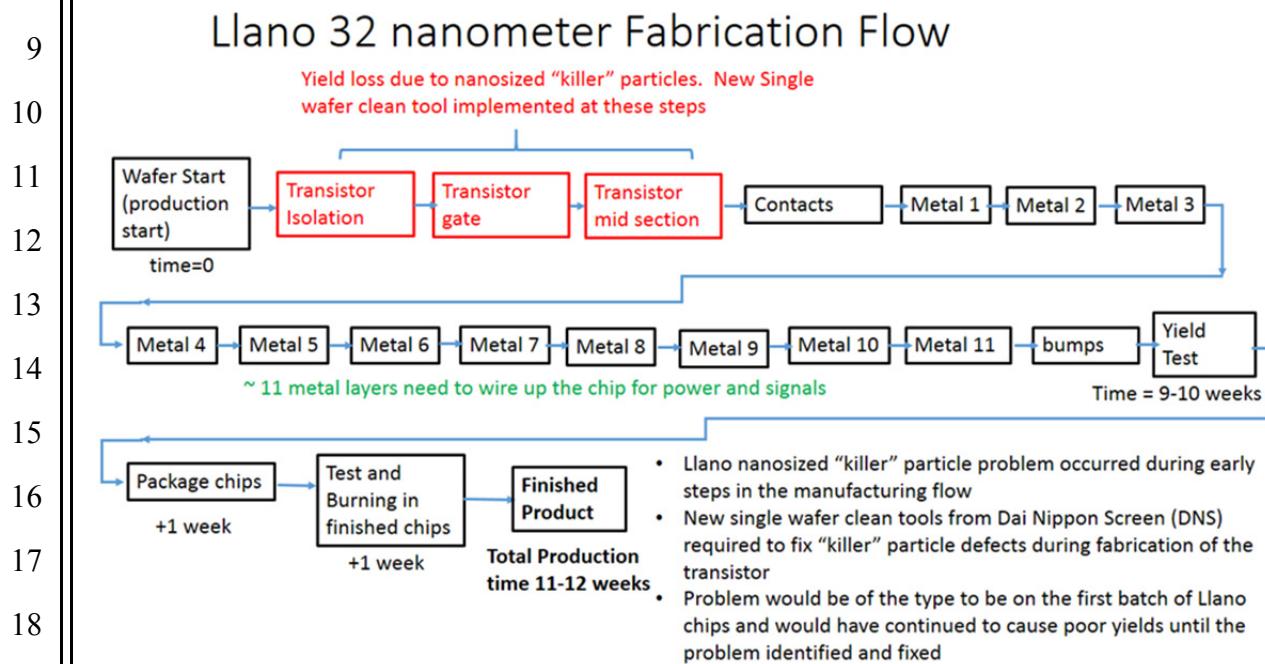
16 116. Manufacturing hundreds of millions of nanoscale transistors on a single computer
17 chip is a difficult and time consuming task and requires more than 30 different semiconductor,
18 insulator, and metallic layers to be built up step by step on a silicon wafer in a near particle-free
19 environment in factories called “clean rooms.” A single particle of the size ~100 times smaller
20 than a human hair on any of the manufacturing layers can “kill” a chip and cause that chip to be
21 nonfunctional and non-sellable.

22 117. A common yield problem is extremely small nanosize particles falling on the chip
23 at some point in the process flow. According to the Lammers Article, that was the case for
24 manufacturing of AMD Llano Fusion chips during 2010 and most of 2011, with yield only being
25 fixed in Q4 2011. What follows is what was known about the Llano yield problem.

(b) The Steps Required to Make Llano and the Specific Yield Problem

118. Exhibit 1 shows the sequence of steps used to fabricate the 32nm Llano Fusion chip. Transistors (electrical switches to control 1's and 0's) are built first on top of a silicon wafer followed by layer after layer of small copper wires (required to wire all the power, ground, and signals to all the transistors). The Llano Fusion chip uses 11 layers of copper wires. The Llano manufacturing process takes approximately 11-12 weeks.

Exhibit 1: Llano 32nm Manufacturing Flow



(c) The Manufacturing Problem AMD Experienced

119. The yield problems with the Llano chips were due to both nanosize “killer” particles and faulty metal wires according to the Lammers Article. Both these problems were common not only with Llano manufacturing, but throughout the industry in the three or four years before Llano was produced. The nanosize “killer” particle problem was fixed by a new single wafer clean tool manufactured by Dai Nippon Screen. Intel (the largest microprocessor manufacturer) had identified and fixed this same nanoscale “killer” particle problem about two to three years ahead of AMD and Intel also adopted the same fix (single wafer clean using Dai Nippon Screen manufacturing tool).

1 120. The nanosized “killer” particle problem is caused by particles that are initially on
2 the back of a wafer. During the manufacturing process, the backside of a semiconductor wafer
3 comes into contact with wafer processing equipment that can generate millions of nanosize
4 particles on the back of the wafer. These particles became “killer” if the particles re-deposit onto
5 the front of the wafer during the conventional wafer cleaning steps that were being used for
6 Llano production early in the production flow (see Exhibit 1). These particles then “kill” the
7 chip, because the actual chips are located on the front of the wafer.

8 121. The faulty “cleans” used by GlobalFoundries during 2010 and most of 2011 in
9 connection with Llano production were causing unusable chips and thus very low yield. A
10 “killer” particle problem can be fixed for good—never to return again—by using an advanced
11 single wafer cleaning tool manufactured by Dai Nippon Screen. Dai Nippon Screen’s single
12 wafer tool keeps the particles on the back of the wafer from ever getting to the front of the wafer.
13 Wafer particle inspection tools, known in the industry as brightfield inspection tools, can find
14 and identify these “killer particles” in real time during chip manufacturing. These brightfield
15 inspection tools thus allow the manufacturing engineers to confirm in real time if the “killer”
16 particle clean problem is fixed. Per the Lammers Article, GlobalFoundries adopted these tools
17 during Llano manufacturing, which are tools commonly used in the industry, and were also used
18 by Intel to catch and monitor the “killer” particles.

19 122. According to the Lammers Article, Llano also had a second yield problem due to
20 the faulty metal wires that caused shorts or open metal wires. The Llano Fusion process used
21 dense metal, which means that more metal lines are required for a Fusion chip design, due to the
22 graphics (GPU) being on the same chip as the microprocessor (CPU). Faulty metal wires,
23 including shorting or open breaks in the metal lines, is a common problem with dense metal
24 lines.

25 123. Fixing the Llano yield problem required AMD and GlobalFoundries to identify
26 and fix both the faulty metal wires and the clean problem. Both manufacturing problems AMD
27 experienced were of the type that would occur on the first batch of Llano chips made in 2010,
28 and ***would have continued to cause poor yields until the problems were identified and fixed.***

1 124. Based on the nature of the yield issues and time of the yield fixes, the poor yield
2 would have existed during 2010 and 2011 until the problem was fixed in Q4 2011. In Q4 2011,
3 Llano chip manufacturing yields issue were corrected and supply significantly increased in the
4 market, which is consistent with the representation made by Mike Noonan, the Sales and
5 Marketing Senior Vice President at GlobalFoundries, in the Lammers Article. Noonan stated
6 that Llano chip yield significantly improved (“doubled”) in Q4 2011.

7 125. The claimed doubling of the yield from Q3 2011 to Q4 2011 confirms that AMD
8 yields were well below 50% for most of 2011 (i.e., AMD produced more bad chips than good
9 chips). Further, given that since the new single wafer clean fix happens early in the production
10 flow and with the length of the production flow being about one quarter (12 weeks), Llano
11 engineers must have been implementing the new single wafer cleans on much of the Llano
12 production during the third quarter of 2011 so that the product would be available in larger
13 quantities in the fourth quarter of 2011, which it was. This means that the problem was
14 addressed and fixed between Q3 2011 and Q4 2011 and not earlier.

(d) Llano Product Launch Milestones

16 126. Based on Expert A's industry experience, few if any computer manufacturers
17 (Apple, Dell, etc.) are going to widely purchase Llano Fusion or any microprocessor until good
18 yields are demonstrated, since good yields are needed to supply a large number of chips. A
19 typical computer chip production supply chain timeline requires demonstrating good yields six to
20 nine months before consumers can buy retail computers with the new chips.

21 127. Llano was a well-designed chip and had a good chance to be used by Apple in the
22 trend setting MacBook Air if the Llano chip was at healthy (good) yield levels in late 2010 or
23 early 2011 (See “Apple Considered Putting AMD Processor In 2011 MacBook Air,” Forbes,
24 April 2012). Good yields at the *start* of production should be in the 60-70% range with a fast
25 roadmap to 80%. AMD was far from this level until Q4 2011, which is one reason Apple and
26 others could not and would not adopt and sell Llano.

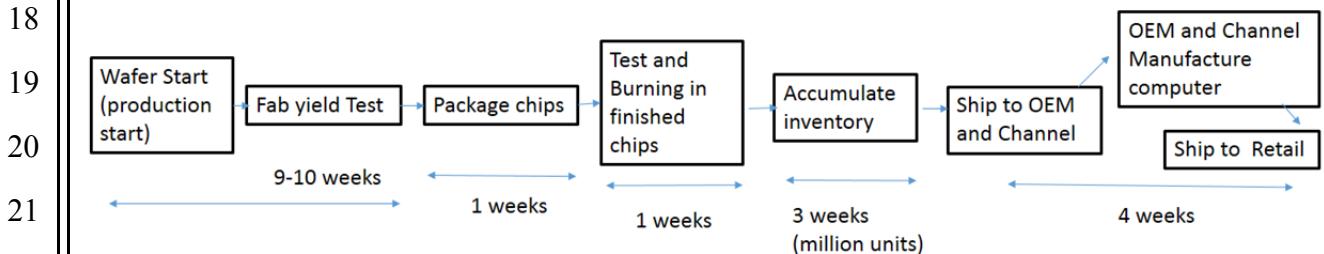
128. It is industry best practice to achieve good yield an average of six to nine months before the computers go on sale to the public. For example, if Apple is launching a new iPhone

1 in September of 2014, healthy chip yields are needed in ~Jan 2014. This six to nine month rule
2 was and is widely used in the industry, including by Intel, for chip launches. For example, Intel
3 recently announced a slip for a future product (six to nine months in advance of a future product)
4 since its current 14nm computer chip yields are one quarter behind schedule.

5 129. Even though industry best practices dictate a six to nine month ramp from
6 production to sale, it is possible to accelerate this process. Exhibit 2, which shows the minimal
7 amount of time it takes for various production steps in the process to manufacture a computer,
8 demonstrates that the “best case” timeline for an “aggressive” chip product launch under optimal
9 circumstances would be no less than four months. Based on the launch milestones below, the
10 latest AMD would have known about a yield problem would have been in March 2011
11 (approximately sixteen weeks before launch). However, as discussed above, given the nature of
12 the yield problems, and the fact that such problems occur early in the manufacturing process, the
13 problems existed “from day one” and had to have existed and been known in 2010.

14 **Exhibit 2: Best Case Time Required From Wafer Start to Computers in Retail Stores is
~ 4 months.**

16 Llano Aggressive Product Launch Time Line



23 (e) The Product Cycle of Chips Such as Llano Fusion

24 130. The life cycle of a computer chip is approximately one year per product. The
25 computer chip product life cycle can best be understood by looking at the iPhone and iPad as an
26 example. Each year before the holiday buying season Apple releases a new iPhone and iPad and
27 most of the demand shifts to these new products. That is, the demand for the previous generation
28 computer chips falls off substantially. The same computer chip product cycle exists for laptops

and desktops. For example, Intel works to release a new chip, or new version of a prior chip, every year. AMD likewise released Llano followed by the next generation APU, Trinity, the following year.

4 131. In 2011, the competition for the integrated CPU/GPU chip was between Intel's
5 Sandy Bridge and AMD's Llano processor. However, as discussed above, for most of 2011,
6 AMD could not yield enough Llano processors for a successful launch and, as a result, most
7 computer manufactures sold computers with Sandy Bridge processors. By 2012, AMD was able
8 to manufacture Llano in good volume but the product life cycle was running its course and the
9 market was moving to the next generation – Intel's Ivy Bridge and AMD's Trinity chips, which
10 were both launching 2012. Thus, the retail market and supply chain were fast losing interest in
11 Llano.

(f) The Impact of a Delay on Other Companies

13 132. AMD customers build PCs around chips. If AMD does not have the yields at
14 healthy levels at least 4 months in advance of its customers selling laptops and desktops (but
15 more realistically at least six to nine months in advance), motherboard manufacturers will not
16 risk their supply chain by making motherboards for chips that are not available. Moreover,
17 companies like Apple will not adopt Llano in their flagship computers since it is pointless to
18 launch a product when you are not able to get adequate chip supply to manufacture the laptop or
19 desktop computer.

20 133. Llano used a special motherboard that was only compatible with the Llano chip
21 requiring an FM1 slot for the chipset. Trinity, AMD's the next generation APU, used a different
22 motherboard requiring an FM2 chipset slot. So, even though AMD was able to fix Llano yields
23 in the fourth quarter of 2011, by then it was too late for wide market adoption of Llano. In 2012
24 both Intel and AMD were launching the next generation computer chips (Intel/Ivy Bridge and
25 AMD/Trinity). Thus, even after AMD fixed the Llano yield problems by 2012, the industry
26 demand had moved on to wanting the next generation chips (Intel's Ivy Bridge and AMD's
27 Trinity), and manufacturing motherboards for those chips (and not for Llano).

1 **L. Defendants Admit the Yield Problem But Continue to Deceive the Market**
2 **About the Duration of the Problem**

3 134. On September 28, 2011, just two weeks after Seifert appeared at a Deutsche Bank
4 Technology Conference and touted AMD's progress in emerging markets, and Llano's hugely
5 successful launch, AMD issued a press release pre-announcing third quarter results. In a partial
6 disclosure of the truth, AMD announced that revenues were expected to be four to six percent
7 lower than previously forecasted due to lower than expected supply of Llano as a result of
8 "manufacturing issues". On this news, AMD stock plunged nearly 14% from a closing price of
9 \$6.15 on September 28, 2011, to a closing price of \$5.31 on September 29, 2011 on extremely
10 heavy volume.

11 135. However, Defendants did not tell the market the full story. As a result of the yield
12 problem, the Company was still not able to supply Llano processors to a major segment of its
13 customers – its channel. As explained in Section IV.K.2., Llano required a special motherboard
14 that was not compatible with AMD's next generation 32nm APU, Trinity, which was set to
15 launch in 2012. When AMD failed to supply the channel with Llano in sufficient time to sell
16 Llano-equipped laptops and desktops during the critical back-to-school season, channel vendors
17 abandoned motherboard production for Llano, moving on instead to AMD's newer technology.
18 By the time the Company was able to sufficiently raise the yield and provide Llano to the
19 channel (December 2011), channel adoption of Llano was weak. As a result, the Company now
20 produced a substantial supply of Llano product that the market no longer wanted, ultimately
21 forcing a massive write-off that significantly impacted AMD's gross margins.

22 136. Contrary to these facts, and in the ensuing months, Defendants made numerous
23 false and misleading statements that repeatedly highlighted the "demand" and adoption of Llano,
24 and claimed that the yield issues from the 3Q11 were no longer having an effect on Llano sales.

25 137. For example, during the 3Q11 conference call on October 27, 2011, Read stated
26 that "demand was strong" and "interest in our products is significant." Seifert promised that
27 AMD would "recover gross margin" by shipping a "higher share of Llano products" moving
28 forward. Read also stated that customer relationships were not "irreversibly damaged" by the

1 yield issues and assured the market that he personally met “with just about every major partner
2 across the planet, [during the past two months] and you know, the feedback has been very
3 consistent. They really believe in this AMD APU...” He also stated that there was strong
4 uptake in APU demand for both Brazos and Llano in the channel.

5 138. On December 7, 2011, at the Barclays Capital Technology Conference, Seifert
6 touted the success of Llano, and said that AMD was able to “meet customer demand” in
7 October and November.

8 139. On January 24, 2012, during the 4Q 2011 earnings conference call, Defendants
9 discussed customer acceptance of and demand for the APU architecture, including in emerging
10 markets, and the increase in Llano sales in particular. Seifert stated that there was “absolutely”
11 strong interest in Llano.

12 140. On March 1, 2012, at the Morgan Stanley Technology, Media & Telecom
13 Conference, Seifert said that Llano momentum was "good at this point in time," that AMD had
14 "shipped 80% more 32-nanometer Llano-based products Q3 over Q4," and that the adoption of
15 Llano was "allow[ing] [AMD] to replace lower gross margin discrete revenue, especially at the
16 low-end [Brazos]" with Llano revenue.

17 141. In the Company’s 2012 first quarter earnings conference call on April 19, 2012,
18 Seifert stated that the there was **“higher than anticipated demand for certain 32-nanometer**
Llano products, particularly in emerging markets.” Read stated that he didn’t see any
19 significant issues in the desktop field (which was Llano’s purview) due to the yield issues from
20 2011. Read also stated that despite Trinity’s impending launch, he did not see anything “in terms
21 of [customer’s] pause or concern” for sales related to Llano.
22

23 142. Despite these positive statements, Defendants knew, or were reckless in not
24 knowing, that sales to the channel were suffering because of the yield problem, and that the
25 impending Trinity launch was further cannibalizing Llano sales.
26
27
28

1 **M. AMD Admits that Llano Adoption in the Channel Is Weak Causing the**
2 **Company to Write Down \$100 Million in Llano**

3 143. The full truth regarding poor Llano channel sales, the Llano inventory glut, and
4 the eventual write down of Llano inventory came out in a series of partial disclosures. First, on
5 July 9, 2012, the Company issued a press release announcing a revenue miss of 13% for the
6 second quarter of 2012. The press release stated that AMD's revenue miss was primarily due to
7 softer than expected channel sales in China and Europe. In response to this news, AMD's stock
8 price fell more than 11%, on heavy volume, to close at \$4.99 per share on July 10, 2012.

9 144. During the July 19, 2012 conference call to discuss 2Q 2012 results, Read
10 admitted that the "desktop channel revenue declined significantly" because the "Llano product
11 did not experience the same uptake it had with our OEM customers. Looking back, when we
12 were significantly 32-nanometer supply constrained **last year**, we prioritized shipments of Llano
13 to our OEM customers. As a result, channel partners, and particularly those in "China and
14 Europe," "saw a dramatic change in supply linearity and a misalignment with motherboard
15 availability" because they did not receive Llano until "late in the year [2011]."⁷ "This clearly
16 impacted Llano sales and built inventory in the channel." Su further explained that the issue was
17 "motherboard supply relative to CPU supply and the resulting nonlinearity in the channel."

18 145. Read admitted that, contrary to the Company's public statements, the delay in
19 supplying Llano to the channel caused **weak demand** from the channel "**mov[ing] forward into**
20 **2012.**" Read further admitted that the Company did not "execute[] as effectively as [it] could
21 have," and that the issue was really "largely in [AMD's] control." Seifert then explained that
22 AMD had accumulated a larger than normal amount of unsold Llano inventory due to the
23 "demand shortfall" in the channel.

24 146. On this news, AMD's stock price fell more than 13%, or \$0.64 per share, on
25 heavy volume, to close at \$4.22 per share on July 20, 2012.

26

27 ⁷ During the Citi Technology Conference on September 4, 2012, Read pinpointed the exact
28 time frame for the delay – stating that the the channel did not get any Llano parts until
December. During this call, Read also admitted that they "saw [the channel problem] begin to
manifest itself as you dissect the problem **back in last summer.**"

1 147. Even after the Company admitted that the revenue loss was due to the channel's
2 failure to adopt Llano, however, Defendants continued to lead the market to believe that the
3 Company would sell through Llano inventory and the impending Trinity launch would not
4 destroy Llano sales. Read stated during the 2Q12 earnings call: "Moving forward, we will focus
5 on accelerating desktop channel sell-through and share proper supply linearity and more
6 effectively position Llano's value proposition in this area."

7 148. When asked about Trinity's market share as compared to Llano in the upcoming
8 months, Read stated: "Llano is an important product **throughout the balance of this year and**
9 **into 2013.**" Su stated that "Llano is a good product," and the Company would "focus on sellout
10 velocity and getting the overall positioning correct with both the CPUs as well as the
11 motherboards. And we think we're doing that." Su also stated that the Company would "run
12 with both products [Trinity and Llano] for some time in the channel."

13 149. Read stated that the Company intended to "work through [the Llano inventory
14 issue] in each of those next two quarters," and Seifert said that annual gross margin guidance
15 was still intact in the range of 44% to 48%.

16 150. However, less than three months later, the Company announced on October 11,
17 2012, that its gross margins for the fiscal 2012 third quarter had dropped to 31%, missing the
18 previously forecasted gross margin for the third quarter of 44% *by 13%*. Defendants blamed this
19 huge miss largely on AMD's recording of a \$100 million inventory write-down, mainly
20 attributable to Llano. On this news, the price of AMD stock declined more than 14%, or \$0.46
21 per share, on heavy volume, to close at \$2.74 per share on October 12, 2012.

22 151. During the 3Q 2011 earnings call, on October 18, 2012, Defendants finally
23 admitted what they had known all along. Channel demand was just not there for Llano.
24 Defendants also admitted that the write down, and the marked decrease in 3Q gross margins, was
25 due to the product transition between the waning Llano and the next generation Trinity.
26 Signaling the "end" of the Llano APU life cycle, AMD admitted that the Company would not
27 even try to sell off the Llano product, and took the write down instead.

1 152. In reaction to this news, AMD's stock price fell nearly 17%, or \$0.44 per share, to
2 close at \$2.18 per share on October 19, 2012, on extremely heavy volume. All told, AMD's
3 stock price dropped \$6.17, ***or nearly 74%***, from a Class Period high of \$8.35 on March 27, 2012,
4 to a low of \$2.18 a share at the end of the Class Period, due to Defendants' false and misleading
5 statements.

6 **V. DEFENDANTS' MATERIALLY FALSE AND MISLEADING CLASS PERIOD**
7 **STATEMENTS AND ANALYST AND MARKET REACTIONS THERETO⁸**

8 **A. April 4, 2011 - AMD Conference Call to Discuss the Amendment of the**
9 **Wafer Supply Agreement (WSA) With GlobalFoundries**

10 153. The Class Period starts on April 4, 2011, when AMD hosted a call with analysts
11 to discuss changes made to the WSA between AMD and GlobalFoundries that related in
12 particular to how AMD would compensate GlobalFoundries for its production of the Llano 32nm
13 processor. Seifert explained that instead of compensating GlobalFoundries per wafer, on a fixed-
14 cost per wafer basis, AMD would instead only pay for the chips, or "die," that actually worked.

15 154. Seifert explained that the WSA amendment was originally motivated by the initial
16 32 nanometer yields in 2010, but that yields were currently meeting expectations gearing up for
17 the launch in just two months.

18 I want to make sure it is clearly understood today, as we've said in
19 the past, we've moved into a new phase of 32 nanometer
20 development with GLOBALFOUNDRIES. ***Today 32 nanometer***
yields are in line with our expectations and I'm excited to tell you
this morning that Llano is now shipping for revenue. Customers
are very excited about Llano coming to market and we will look
forward to seeing our Llano-based systems in the market this
quarter -- the second quarter.

21 ***

22 [W]e are in manufacturing mode and yield improvement, ramping
23 up the yield curve is really manufacturing topics, not technology
24 topics. We have been making very good progress and ***yield is on***
expectations and it allowed us to start shipment for revenue.

25 ***

26
27 ⁸ In Section V, the statements made by Defendants that are bolded and italicized are the
28 statements alleged to be false and misleading. Additional statements are bolded (and not
italicized) for emphasis.

1 ***32 nanometer today is where we want it to be.***

2 155. Seifert also unequivocally stated at that time any yield problems were behind the
3 Company, that AMD was not expecting “lower than anticipated yields,” and that the new WSA
4 was not entered into because of yield problems, but instead was for “downside protection” for
5 AMD.

6 ***And, not that I’m currently expecting any [yield problems], we***
7 ***wanted to ensure better protection for AMD under lower than***
anticipated yield scenarios.

8 ***

9 So from today’s perspective -- maybe let me go back one step. So
10 the original discussion on this amendment was triggered last year
when the 32 nanometer ramp looked a bit more challenging. ***From***
today’s perspective it’s rather more a downside protection. So as
we said before, yields on 32 nanometer are on target....

12 ***

13 ***I think we left now the 32 nanometer issues behind us.***

14 156. The statements made by Seifert during the April 4, 2011 conference call were
15 materially false and misleading when made for the reasons articulated in Section IV.K., and
16 because they led the market to believe that the Company had overcome its yield problem, and
17 that Llano processors were being produced in sufficient quantities for a successful launch, when
18 in fact, they were not. Specifically, Seifert’s statements that “32 nanometer yields are in line
19 with our expectations,” “32 nanometer today is where we want it to be,” “yields on 32 nanometer
20 are on target,” “we left now the 32 nanometer issues behind us” and that he was not expecting
21 any future yield issues, were false and misleading because dating back to 2010, the Company
22 was experiencing significant yield problems with Llano. At the time of the statements, the yield
23 problems were not “behind” the Company, nor were they in line with AMD’s expectations for a
24 successful Llano launch. Seifert’s statement that the WSA was entered into as “downside
25 protection” was false and misleading because the real reason that the Company entered into the
26 agreement was the then-current yield problem. Finally, Seifert’s statement that “yield is on
27 expectations and it allowed us to start shipment for revenue” was false and misleading because it
28 led the market to believe that Llano was being shipped to all of AMDs customers, and omitted to

1 say that AMD was not shipping Llano to a major segment of its customers – the distribution
2 channel. Rather, AMD was instead prioritizing shipments of the small Llano yield to its top tier
3 OEM customers.

4 **B. April 21, 2011 Form 8-K**

5 157. On April 21, 2011, after the market closed, AMD filed a Form 8-K with the SEC
6 and attached a press release entitled “AMD Reports First Quarter Results.” For 1Q11, the
7 Company reported revenue of \$1.61 billion, net income of \$510 million, or \$0.68 per share, and
8 gross margins of 43%. The April 2011 press release also provided revenue guidance for the
9 2011 second quarter, stating that the Company expected revenue to be flat to slightly down.

10 158. Seifert is quoted in the April 2011 press release, touting “strong” demand for the
11 APUs and that Llano was shipping for revenue ahead of the launch:

12 First quarter operating results were highlighted by ***strong demand***
13 for our first generation of AMD Fusion Accelerated Processing
14 Units (APUs).... ***APU unit shipments greatly exceeded our***
expectations, and we are excited to build on that momentum now
that we are shipping our “Llano” APU.

15 159. AMD also touted “strong microprocessor sales in the channel” on the April 21,
16 2011 press release:

17 Computing Solutions segment revenue decreased 2 percent
18 sequentially and increased 3 percent year-over-year. The
19 sequential decrease was driven primarily by lower average selling
20 price (ASP) partially offset by higher desktop microprocessor
21 sales. ***The year-over-year increase was primarily driven by***
strong microprocessor unit sales in the channel....

22 ***AMD commenced revenue shipments of AMD’s first Fusion***
23 ***APU for mainstream notebooks (codenamed “Llano”)*** that
24 combines discrete class graphics capabilities, personal
25 supercomputing performance and AMD AllDay™ power.

26 160. AMD also published a “CFO Commentary” as an attachment to the Form 8-K.
27 The CFO Commentary repeated AMD’s first quarter financial results and second quarter
28 guidance, and touted its APU platform, emphasizing that Llano was currently shipping:

29 ***APU platforms are gaining traction in the market as evidenced***
30 ***by a faster than anticipated ramp as unit shipments tripled over***
31 ***the prior quarter. Adding to this momentum, we started shipping***
Llano, our high-end APU, late in the first quarter of 2011.

1 161. The statements contained in the Form 8-K, including the April press release and
2 CFO Commentary attributed to Seifert, were materially false and misleading when made for the
3 reasons articulated in Section IV.K., and because they led the market to believe that the
4 Company had overcome its yield issues with Llano and thus was shipping sufficient supplies of
5 Llano to its customers, including the channel, to prepare for a successful launch. The truth was
6 that the yields were extremely poor and so low that AMD did not have enough supply to ship any
7 Llano to the channel at all, and instead was prioritizing shipments of the available yield to its
8 top-tier OEM customers only.

9 **C. April 21, 2011 – 1Q11 Earnings Conference Call**

10 162. The Company hosted an earnings conference call on April 21, 2011 to discuss the
11 first quarter results after the market closed. Seifert and Bergman participated on the call. Seifert
12 reiterated first quarter financial results and second quarter guidance. Both Seifert and Bergman
13 made positive statements concerning the Llano ramp to launch and the wide availability of Llano
14 in the second quarter:

15 Seifert:

16 *We also began shipping Llano for revenue in the first quarter,*
17 and it is very simply the most impressive processor in history.
18 Featuring a modern graphics architecture, Llano gives mainstream
19 PC users something they've never had before -- a brilliant visual
experience, coupled with all-day battery life. It delivers a better
end-user experience than anything else on the market, and our
customers have told us that. *You should expect to see Llano-*
based systems widely available in this quarter.

20 ***

21 *We started shipping Llano, our high-end APU, late in the first*
22 *quarter.*

23 Bergman:

24 *Just to be clear, the volume is actually coming in Q2. So, that's*
25 *certainly when we expect to ramp to production and have*
platforms launch on Llano.

26 ***

27 Analyst:

28 Just on the ramp of Llano, can you give us a feel for the
availability of product and really what sort of metrics we might be

1 able to sort of frame in terms of thinking about how that ramp is
2 likely to progress now?

3 Seifert:

4 So, we achieved -- we made great progress, which allowed us to
5 ship for revenue. ***We think we have ample [/]product available in***
the second quarter.

6 Bergman:

7 Again, ***our key for Llano is to hit the critical cycle in the industry,***
which is BTSC, or the back-to-school cycle. So we have broad-
based OEM platform adoption for that timeframe, and we're well
positioned to take advantage of that cycle.

9 163. Defendants also claimed that AMD's margins would increase later in the year
10 from Llano shipments in third and fourth quarter:

11 Analyst:

12 Great. And then, a couple of questions. On the ASP front,
13 obviously Brazos looks like it impacted the ASPs. Should we
14 expect ASPs to increase in the next few quarters as Llano ramps or
is that a function of, you know, the server business coming back at
this point?

15 Seifert:

16 Fair question. So I think for the second quarter, it's fair to expect
17 that -- or at least we expect that the -- both ramps equal each other
out, so to speak.

18 ***In the second -- in the third and fourth quarters, then, ASP***
performance should go up, higher share of Llano shipments, and
then the additional impact of the server shipments.

19 Analyst:

20 Great. Thanks. Then on gross margin, you talked about your
21 expectations for Q2. Could you maybe give us your thoughts on
22 gross margins in the second half of the year? What would be the
23 drivers either way there?

24 Seifert:

25 So I'm not going to give more granular guidance on gross margins
26 than what we gave for the overall year. ***But, of course, we are***
looking forward to see a higher mix of Llano-based products in
the second half... and this would have a substantial impact on
gross margin development in the second half.

1 164. In response to a question regarding order patterns for both Brazos and Llano,
2 Seifert stated that AMD had “**very strong channel demand**”:

3 Analyst:

4 Thanks for fitting me in here. Going back to an earlier question
5 about kind of your comparison of order rates versus what Intel had
6 seen. Intel definitely got some atypical seasonality heading into
7 their product launch, a big burn in the channel and then a big
8 restocking. What are you seeing as far as typical seasonality of
order patterns ahead of both Brazos and Llano?

9 Seifert:

10 You know, we -- even if it disappoints you, I cannot give you
11 much different arguments, to be very honest.

12 *We felt very strong channel demand, partly driven by the*
13 *products that we started to ramp*, also in part restocking of their
14 Q4 burndown. The visibility we have into their inventories does
15 not indicate any alarming things. Inventories seem to be lean and
16 in line with what you expect for the business at this time in the
17 cycles. And we had a couple of emerging markets where our
18 products -- or our platform-based products were sold out on the
19 shelf. So, not much more to add to that.

20 165. The statements made during the 1Q11 conference call were materially false and
21 misleading when made for the reasons articulated in Section IV.K., and because they led the
22 market to believe that sufficient yield was not an issue for Llano, that AMD would ship
23 sufficient volume of Llano for the remainder of the year, and that this volume would be
24 significant enough to positively impact AMD’s margins. These statements were also false and
25 misleading because they created the false impression that Llano was shipping to all of its
26 customers, including the channel, in advance of a successful launch. In particular, statements
27 concerning shipping Llano for revenue coupled with the statement concerning the “strong
28 channel demand” for Llano were false and misleading because AMD had not yet started shipping
to the channel. Because of the low yield problem described in Section IV.K., AMD could not
meet both OEM and channel demand. As a result, AMD prioritized shipments to the their top
tier OEMs. The statements concerning the wide availability of Llano in the second quarter were
likewise false because the internally known yield problem would cause Llano products to be
scarce – particularly for a large segment of AMD’s channel customers. Finally, the statements

1 about margin upside due to Llano were false and misleading because the yield problem meant
2 less high margin Llano units for sale, especially in light of a whole customer segment being
3 neglected.

4 **D. May 17, 2011 – AMD at J.P. Morgan Technology, Media and Telecom**
5 **Conference**

6 166. On May 17, 2011 AMD participated in the J.P. Morgan Technology, Media and
7 Telecom Conference. During the call, Defendants touted the Llano launch, including the
8 positive effect it would have on margins, and falsely denied that there were any yield issues at
9 GlobalFoundries relating to Llano.

10 167. With regard to the Llano launch, Seifert stated:

11 *Llano is going to launch this quarter. We've been shipping.* It
12 takes this compute performance to a completely new level, in our
13 opinion. The first demos that we have been showing are exciting,
14 and customers are excited. You'll see momentum building up as
15 we speak. We have a first preview of the technology this week in
16 Abu Dhabi, actually. And then, we move into Taiwan.

17 168. In response to an analyst question about the WSA and Llano yield, Seifert stated:

18 Analyst:

19 Sure. Just to touch on that, can you just refresh us on the supply
20 agreement with GLOBALFOUNDRIES, and then, also, how that's
21 going to work with TSMC? What products you guys are
22 manufacturing at TSMC now and how you expect your
23 manufacturing strategy to evolve over the next one to three years?

24 Seifert:

25 A very good question. We just announced a renegotiated, so to
26 speak, wafer supply agreement with GLOBALFOUNDRIES a
27 couple of weeks ago, actually.

28 *And that was, in our opinion, necessary to better align our
GLOBALFOUNDRIES purchasing agreement with our business
case and making really sure that our costs are forecastable; that
the incentives at our business partners are really on increasing
performance for us, especially on 32 nm ramp in the second half
of the year; and align the costs that we incur and the products we
get; and also put that agreement into more mainstream typical
foundry agreements.*

29 So, I think that was absolutely key for us. *We are making good
progress. 32 nm is ramping. Llano is going to be launched this
quarter. We're shipping product.* We're looking forward to start
30 28 nm production in the first half of next year, and then 20 nm in
31 the second half of 2012.

1 Analyst:

2 **Sure. And then, any potential worries or issues? How do you**
3 **feel about wafer availability in the second half of this year**
4 **from your foundry partners?**

5 Seifert:

6 Just in terms of capacity being ready?

7 Analyst:

8 Yes, yes.

9 Seifert:

10 *Currently we have no issues, no tightness in wafer supply. There
are no signs today that we are going to be constrained from a
pure wafer capacity point of view at this point in time.*

11 There were some concerns in the beginning of the year, especially
12 after the Japan earthquake, whether wafer supply would be
13 suffering, but you know, *all those risks have been mitigated. So
from a pure capacity point of view, we should be in good shape
for the second half.*

14 169. With regard to Llano's margin performance, particularly in the back half of the
15 year, Seifert stated:

16 *The Llano products are going to be margin accretive from a price
17 performance point of view because it allows us to upsell.* It
18 allows us to play in segments of the notebooks that we have not
19 been able, and price SKUs that we have not been able to address
20 before. And then, the server is goodness that is going to come on
21 top of that in the second half.

22 Analyst:

23 So is Llano going to be introduced in time to have a meaningful
24 impact to your business model in Q2 or is it more of a Q3?

25 Seifert:

26 *We launched it this quarter with momentum, but we always said
27 it's going to be a second half of the year effect, yes.*

28 170. The statements made by Seifert during the J.P. Morgan Technology, Media and
Telecom Conference were materially false and misleading for the reasons articulated in Section
IV.K., and because they misled the market to believe that the Llano ramp to launch was
successful, that adequate yield was not an issue for Llano, and that high-volume Llano sales

1 would lead to margin increases. The statements were also false and misleading because the
2 WSA was entered into because of the poor Llano yield, and not, as Seifert said, to make "costs...
3 forecastable." The statements were also false and misleading because they misled the market to
4 believe that Llano was shipping to all of its customers, including the channel, to prepare for a
5 successful launch. For example, statements such as "Currently we have no issues, no tightness in
6 wafer supply" and "There are no signs today that we are going to be constrained from a pure
7 wafer capacity point of view at this point in time," were false and misleading because, as detailed
8 in Section IV.K., as of that date, GlobalFoundries continued to experience significant yield
9 problems with Llano. Statements such as "Llano is going to be launched this quarter. We're
10 shipping product," were false and misleading because they gave the market the false impression
11 that AMD was shipping product to all of its customers, and omitted to say that the yield problem
12 resulted in AMD shorting its channel customers. Finally, statements concerning margin upside
13 in the second half of the year due to Llano were false and misleading because the low yield
14 would mean less high margin units for sale (and less opportunities to upsell), especially in light
15 of a whole customer segment being neglected.

16 **E. July 21, 2011 Form 8-K**

17 171. On July 21, 2011, after the market closed, AMD filed a Form 8-K with the SEC
18 and attached a press release entitled "AMD Reports Second Quarter Results." For the quarter,
19 the Company reported revenue of \$1.57 billion, net income of \$61 million, or \$0.08 per share,
20 and gross margins of 46%.

21 172. The July 2011 press release also provided the market with guidance for the 3Q
22 2011, noting that "***AMD expects revenue to increase 10 percent, plus or minus 2 percent,
sequentially for the third quarter of 2011.***"

23 173. The Company also published a "CFO Commentary" as an attachment to the Form
24 8-K that detailed positive developments in the Computing Solutions segment due to the Llano
25 APU, and touted the Company's Computing Solutions business in China and Latin America:

26

27 • In a seasonally down quarter, AMD's successful regional
28 assortment helped offset seasonal trends as we capitalize on
growth with key strategic OEMs, ***while making progress in
key growth areas such as China and Latin America.***

- [R]ecord mobile processor unit shipments were driven by continued strength of the APU platform, now representing over 70% of total mobile platform unit shipments and revenue in the quarter. *We shipped over 1 million Llano APUs in the quarter and nearly 6 million Brazos APUs.*
- *APU platforms now represent over 40% of client units shipped, underlining strong APU adoption and reflecting the beginning of a shift in the computing industry from legacy microprocessors to a revolutionary APU architecture.*
- *APUs have opened up significant opportunities within our customer base....* Computing Solutions operating income was \$142 million, up \$42 million from the previous quarter, *primarily due to improved gross margins from a richer mix of APU sales compared to the prior quarter.*

174. The CFO Commentary also repeated the second quarter financial results and third
quarter guidance:

AMD has reached an inflection point with its APU strategy as evidenced by the success of APU offerings. *As the Llano APU penetration continues, we expect to increasingly participate in mainstream and performance notebook market segments. We believe this opportunity positions AMD to achieve higher client ASP and gross margin, and increase our mobile microprocessor unit market share in the second half of 2011.*

We expect APU shipments to exceed two-thirds of AMD's client unit shipments in the third quarter, representing nearly 100% of our mobile platform shipments.

175. The statements made in the Form 8-K were materially false and misleading for the reasons articulated in Section IV.K. and because they misled the market to believe that the Llano launch was successful, that yield was not an issue for Llano, that AMD would ship adequate volume of Llano for the remainder of the year, and that this volume would be significant enough to lead to margin increases. The statements were also false and misleading because they led the market to believe, by omission, that Llano was shipping to all of its customers, including the channel – which was primarily in emerging markets, such as China.

25 **F. July 21, 2011 – 2Q11 Earnings Conference Call**

176. The Company hosted an earnings conference call with analysts to discuss the second quarter results after the market close on July 11, 2011. Seifert participated on the call and reiterated second quarter financial results and third quarter guidance.

1 177. In his prepared remarks, Seifert stated:

2 In 2011 AMD kicked off the Fusion era of computing, bringing to
3 market the industry's biggest architectural change since the
4 invention of the microprocessor. Brazos, our first APU for the thin
5 and light notebook and netbook markets, is an unqualified hit and
6 is one of our fastest ramping processors in our history.

7 *In June we expanded our Fusion offerings with the launch of the
8 A-Series APU for mainstream notebook and desktops code-
9 named Llano. We shipped more than 1 million A-Series APUs in
10 the second quarter. Based on strong demand signals and SKU
11 assortment for the second half of the year, we expect the Llano
12 ramp will outpace the Brazos ramp.*

13 *Customer adoption of Brazos and Llano-based platforms is
14 strong, and sell-through is excellent.*

15 178. In response to a Bank of America /Merrill Lynch analyst's question concerning
16 the source of the 10% forecasted growth in revenues, Seifert responded that this growth would be
17 largely driven by Llano:

18 Analyst:

19 Thomas, the 10% growth you are guiding to for the third quarter,
20 how much of that is from graphics, how much from computing,
21 how much from an ASP lift? And more importantly, how should
22 we align that with Intel's slight change and somewhat question
23 about the PC market versus prior expectations, and then I have a
24 follow-up?

25 Seifert:

26 Yes, very good question. So, as you know, we entered the market
27 rather conservatively. I'm talking about the PC growth
28 expectations in the very low teens. In the last two quarters, we
29 have been talking about expectation in the [tenants]. Mercury now
30 is at 8.9. And we still think we don't have any indication why we
31 should materially differ from that opinion today. *However, I think
32 we see now in the second quarter that the momentum we have
33 started with the process[or] launch, as I said before on our first
34 APU family, with that accelerated ramp, we have now seen over
35 two quarters. The demand it hits in the market is going to be on
36 this level and better for our Llano products that we launched this
37 quarter.*

38 *We promised we would ship about the same volume of Llano as
39 we shipped in the first quarter of Brazos, and from the demand
40 signals we see today, we expect the ramp to be even higher and
41 better accelerated. And this is really driving our guidance for the
42 third quarter.*

1 179. A Nomura Securities analyst then asked Seifert if Llano's higher ASP would be a
2 "tail wind over the next one or two quarters." Seifert responded: "***I think with the graphics***
3 ***ramp of the Llano ASPs in the second half, we will see improvement in our ASP***
4 ***performance.***"

5 180. Another analyst from Longbow Research commented that "I think we understand
6 that the APUs bring greater margins" and asked Seifert for a direction on margins:

7 Analyst:

8 I guess one question I have is, where do you think gross margin
9 can go in the second half and in 2012, and how do you see mix
10 evolving to bring that about? Perhaps specifically you could
provide some sense of the relative contribution of the Brazos
versus Llano versus Bulldozer to get to those gross margins over
the next few quarters.

11 Seifert:

12 Very good question. So, we said that all three products are going
13 to be margin accretive however for different reasons. In the
14 Brazos case, it was primarily a matter of cost position, really being
accretive from a very favorable cost position, and I think that
15 played out nicely over the last quarters. ***We will see margin***
accreteness on the Llano side because of better price
performance and playing in SKUs that we have not been able to
play before, and the server business traditionally I think is a higher
16 gross margin business than our corporate average.

17 So I'm not going to update any guidance for 2012. I think at our
18 Investor Day we outlined where we think we can take the
19 Company in terms of gross margin and that we have line of sight
of a world beyond 50%. But that is something for next year and
the years after that we will talk about at our analyst day. ***Without***
any doubt, however, we expect that our gross margin is going to
go up in the second half.

20 181. Another analyst, commenting on the Brazos and Llano design strength, asked
21 Seifert about his market share expectations for the remainder of the year:

22 Analyst:

23 Thomas, with your outlook on the market as a whole and then the
24 design win strength that you see at Brazos and Llano, what are
25 your expectations for market share as you end the year in both
netbooks and desktops?

26 Seifert:

27 So we are not going to get into specific market share guidance, ***but***
I think we have been very open upfront that we expect to gain

1 *market share based on the products that we have launched, and*
2 *we feel confident that this is going to happen in the second half*
3 *of this year.*

4 182. Seifert and an analyst from Sanford Bernstein engaged in a back and forth about
5 the Llano ramp and the Company's high expectations for Llano sales in the current quarter:

6 Analyst:

7 So we have a ramp of Llano coming up next quarter similar to
8 Brazos. Your second quarter of Brazos I think you shipped just in
9 excess of 3 million. So I would expect 3 million or more Llano
10 shipments next quarter. Now we have 6 million Brazos this
11 quarter. I'm just curious if you can give me some feeling for at
12 least your expectations for next quarter relative contributions of
13 Llano versus Brazos given you expect 100% of your mobile
14 shipments essentially to be made up of these two things?

15 And what is the effect on margins? I know you said at the end
16 during your last quarter's call you expected gross margins by the
17 end of the year to be at the high-end of your annual guidance,
18 which you put it around 48%. Given the accelerated ramp that you
19 seem to be having in Fusion and even Bulldozer, do you have any
20 update to that, I guess, Q4 or year-end guidance in terms of where
21 you think the gross margins trajectory can get to by the end of the
22 year?

23 Seifert:

24 Well, I think the statements we made are holding true. We expect
25 to March in that direction, and we expect ***and probably are more***
26 ***confident now that we end up at the high-end of our gross***
27 ***margin guidance at the end of the year.*** And if you add all the
28 factors up that we have been talking about today, ***then it is***
29 ***reasonable to assume that we make -- at the end of the third***
30 ***quarter, we make a good step in that direction.***

31 Analyst:

32 Got it. And in terms of the contribution of Llano versus Brazos, I
33 assume this means you would expect Brazos shipments to be down
34 from the 6 million this quarter but Llano to be up considerably, or
35 what are your relative expectations for Llano versus Brazos in your
36 mobile space next quarter?

37 Seifert:

38 Well, the factors you gave are pretty accurate. As you said, we
39 shipped about 3 million units of Brazos in the first quarter. ***We***
40 ***expect a steeper ramp of Llano in the current quarter,*** and we do
41 not expect Brazos to decline significantly.

1 183. Asked a direct question from a Bank of America Analyst as to whether AMD was
2 satisfied with GlobalFoundries' performance on the Llano production, Seifert responded that
3 AMD "receives all the support [they] need from GlobalFoundries."

4 Analyst:

5 And are you satisfied with the new Llano support you're getting
6 from GLOBALFOUNDRIES?

7 Seifert:

8 *So we cannot complain for sure about a lack of support. I think*
9 *we receive all the support we need and to be honest also that we*
10 *deserve by bringing advanced technology to our foundry*
11 *partners. We have been putting guidance in place for Q2 that we*
12 *hit that we fully expect to deliver our guidance that we put in*
13 *front of you today, and I think that is a statement in itself.*

14 184. An analyst from Longbow Research questioned Seifert concerning the wafer
15 pricing agreement between the two companies that was supposed to incentivize GlobalFoundries
16 in its production of the 32nm Llano processor and ensure that AMD received sufficient 32nm
17 yield, and expressed potential market concerns over the 32nm Llano yield. Seifert responded
18 again that the Company was being fully supported in its Llano efforts by GlobalFoundries:

19 Analyst:

20 If I could, a follow-up related to your wafer pricing agreement with
21 GLOBALFOUNDRIES. There are some that are a little concerned
22 that the absence of a CEO over there may create some additional
23 risk for the supply at 32 and at 28. So I'm wondering if you could
24 provide an update on your wafer pricing agreement with
25 GLOBALFOUNDRIES and the incentive program that you have
26 in place and whether that kicked in and whether there are
27 additional charges in that and whether you think given the perhaps
28 the additional uncertainty at GLOBALFOUNDRIES whether you
 could possibly extend the per die or per good die structure that is in
 place this year into next year? And if not, how would the reversion
 to the older policy affect your gross margin potential?

29 Seifert:

30 Yes, a very good set of questions. *So, first of all, let me make a*
31 *statement upfront. Despite the management change at*
32 *GLOBALFOUNDRIES, we cannot complain at all of a lack of*
33 *support or attention from GLOBALFOUNDRIES to us.* So
34 actually the relationship has developed very good and rather
35 strengthened them in this transition period.

36 *The wafer supply agreement for this year that we have*
37 *announced is in full effect. It had been completely negotiated*

1 *and signed, and we are operating under the umbrella of the new*
2 *WSA agreement. That is why we are confident in the statements*
3 *we make.* And it was always the intent that the companies would
4 sit down and look at the past and the present and the future both
 companies have in front of them and readjust the wafer supply
 agreement on a long-term basis, and this is a process that has
 already started.

5 185. The statements made in the 2Q 2011 earnings call were materially false and
6 misleading for the reasons articulated in ¶175. Specifically, Seifert's statement "we cannot
7 complain at all of a lack of support or attention from GLOBALFOUNDRIES" which was in
8 response to a question regarding "risk of supply" of Llano was false and misleading because at
9 the time it was made, Llano was suffering from significant yield (i.e., supply) problems.
10 Defendants' statements regarding "demand" for and volume shipments of Llano were likewise
11 false and misleading by omission because the yield issues were preventing AMD from fully
12 supplying Llano product, and thus meeting any customer demand from its channel at that time.
13 Finally, statements concerning margin upside in the second half of the year due to Llano were
14 false and misleading because the low yield would mean less units for sale and a negative effect
15 on margins, especially in light of a major part of AMD's customer base being neglected.

16 186. On the news of Llano's launch, the lack of any supply issues from
17 GlobalFoundries, and the increase in guidance – based in large part on anticipated Llano sales –
18 AMD's stock price increased nearly 20% from a closing price of \$6.50 per share on July 21,
19 2011, to a closing price of \$7.75 on July 22, 2011.

20 187. Analysts responded favorably. In a July 22, 2011 analyst report, Think Equity
21 LLC, stated: "Guidance Implies Seasonal Growth, Continued Ramp....We expect an even
22 steeper ramp for new mainstream Llano notebook processors in 3Q11 than seen this quarter with
23 Brazos for thin-and-light notebooks. **We also expect gross margin to continue to expand as**
24 **higher price, margin accretive APUs grow in the mix. We believe that AMD new product**
25 **success and margin expansion potential bode well for the stock.**" On July 22, 2011 Barclay's
26 Capital stated: "We are impressed with the steep ramp of AMD's Llano APUs and view this to
27 be a key driver of notebook share gains going forward with **significant margin leverage seen in**
28 **2H11.**" Canaccord Genuity published a report on July 22, 2011, stating: "We expect Llano to

1 ramp faster than Brazos, which shipped 1.3m in its first quarter, 3.7m in its second quarter, and
2 6m in the third. Llano shipped 1m units last quarter. Overall, AMD's new APU products will
3 drive share gains across multiple platforms that are currently at unsustainably low levels."

4 **G. 2011 2Q Form 10-Q**

5 188. On August 10, 2011, AMD filed its Form 10-Q for the 2011 second quarter ended
6 July 2, 2011 (the "2011 2Q Form 10-Q") with the SEC. The 2011 2Q Form 10-Q was signed by
7 Seifert and touted strong customer demand for and adoption of Llano:

8 ***During the second quarter of 2011, we continued to experience***
9 ***strong customer demand for our AMD Fusion family of***
10 ***accelerated processing unit (APU) products.*** In addition to
11 increased sales of AMD Fusion C-Series and E-Series APUs,
12 codenamed "Brazos," our first APU platform product for mobile
13 devices, we ramped shipments of ***AMD Fusion A-Series APUs,***
14 ***codenamed "Llano," for desktop and mobile devices during the***
15 ***second quarter of 2011.*** Llano APUs that are used in platforms
16 for mobile devices are codenamed "Sabine," and Llano APUs that
17 are used in platforms for desktop PCs are codenamed "Lynx." ***As***
18 ***a result of strong customer adoption of the Brazos and Llano-***
19 ***based platforms during the second quarter of 2011,*** we achieved
20 record mobile processor unit shipments and record overall
21 microprocessor unit shipments, and AMD Fusion APU unit
22 shipments represented over 70% of total unit shipments of
23 microprocessors for mobile devices. ***The demand for Llano-based***
24 ***platforms by our customers exceeded the supply in the second***
25 ***quarter of 2011.***

26 189. The 2011 2Q Form 10-Q included a certification signed by Seifert, required under
27 the Sarbanes-Oxley Act of 2002 ("SOX"), representing that the "report does not contain any
28 untrue statement of material fact or omit a material fact necessary to make the statements made,
in light of the circumstances under which such statements were made, not misleading with
respect to the period covered by this report."

29 190. The statements made in the 2011 2Q Form 10-Q were materially false and
30 misleading for the reasons stated in ¶175. Moreover, statements concerning strong "demand"
31 and "strong customer adoption" were false and misleading by omission because they led the
32 market to believe that Llano was shipping to all of its customers, including the channel.

33 191. The 2011 2Q Form 10-Q also failed to disclose material information that the
34 known yield problems were negatively impacting AMD's operations, specifically that because of
35

1 the yield problems AMD's Llano sales, and thus revenue and margins, would be negatively
2 impacted going forward. Moreover, because of the yield problems, AMD would not be able to
3 ship product to its key distribution channel customers. Instead, it had to prioritize shipments to
4 its top tier OEMs only. The omitted information was required to be disclosed in the 2011 2Q
5 Form 10-Q pursuant to Item 2 of the instructions to Form 10-Q, which provides that companies
6 disclose information called for under Item 303 of Regulation S-K [17 C.F.R. §229.303]. Item
7 303(a) of Regulation S-K requires issuers to “[d]escribe any known trends or uncertainties that
8 have had or that the registrant reasonably expects will have a material favorable or unfavorable
9 impact on net sales or revenues or income from continuing operations.” In addition, Instruction
10 3 of Item 303(a) of Regulation S-K requires that “[t]he discussion and analysis shall focus
11 specifically on material events and uncertainties known to management that would cause
12 reported financial information not to be necessarily indicative of future operating results.”

13 **H. August 8, 2011 - Pacific Crest Securities Technology Leadership Forum**

14 192. On August 8, 2011, representatives of AMD attended a conference called the
15 Pacific Crest Securities Technology Leadership Forum sponsored by Pacific Crest Securities.
16 Rick Bergman, AMD's Senior Vice President and General Manager, spoke at the conference,
17 touting Llano adoption, design wins, and expectations for the “back-to-school” selling season –
18 now that Llano was available. He also denied that there were any issues with GlobalFoundries,
19 the producer of Llano, that would “change” the AMD “roadmap” moving forward:

20 Analyst:

21 So, Rick, maybe just talking about -- you came off of a very, very
22 clean Q2, impressive guidance as well. Can you talk a little bit
23 about just general back-to-school, how things are shaping up, the
kind of the feedback you are getting from customers, and kind of
the optimism towards a seasonal second half of the year?

24 Bergman:

25 Yes. So, obviously, rolling into 2011 was a big year for AMD.
26 Several years ago, we announced a Fusion strategy, which was
bringing together the processor and the graphics technology onto a
single chip, which we actually think is the biggest innovation in
processors over the last 30 or 40 years.

28 And the exciting part is, we kicked it off at the beginning of the
year with a product called Brazos and that one is just going like

1 gangbusters. *And then, in the second quarter, we were able to*
2 *launch our second Fusion processor called, Llano. And so, as*
3 *you said, we had a solid Q2 with kind of one fully going and the*
4 *other one just starting. So, as we look forward in the back-to-*
5 *school second half of the year, having a full line of Fusion*
6 *processors for AMD truly differentiated products versus our*
7 *competition, we're real optimistic and exciting.*

8 ***

9 Analyst:

10 There is also some concerns -- this may be a final question on the
11 manufacturing side. GLOBALFOUNDRIES has announced some
12 management changes, obviously, very important on -- with
13 Moore's Law transitioning the 28-nanometer. You also have
14 TSMC that uses the foundry. Any update you can provide on
15 GLOBALFOUNDRIES and any change potentially this could
mean for AMD's roadmap?

16 Bergman:

17 *Sure. I mean as you pointed out, GLOBALFOUNDRIES is very*
18 *important to us. They manufacture Llano processors,* soon to be
19 rolled out Orochi processors, as well as very prominently in our
20 roadmap. So, we're a very interested in seeing them be a world-
class foundry and successful out there. Of course, we also work
with TSMC as well. They build our GPUs and our Brazos device
as well.

21 *So as we go forward, no big change to our roadmap to announce*
22 *typically.* We could do that at our Analyst Meeting in early
23 November, *but we're well-positioned there.* I mean, a nice benefit
24 that we have is we have two world-class foundries at 28-
25 nanometer. We're moving into bulk commodity process nodes, it
26 gives us the flexibility around this foundry as well as the choices
27 we make in terms of process technology. So again, we're looking
28 forward to the various solutions that we are bringing forward in
2012.

193. The above statements were materially false and misleading for the reasons stated
in ¶175. Specifically, Bergman's statement concerning "back to school" sales was false and
misleading because it led the market to believe that Llano was capable of being produced in
sufficient quantities to capitalize on this high demand season, when in fact, significantly low
yields, which existed at the time, would prevent it from doing so. Bergman's statement
concerning GlobalFoundries and the yield, particularly "no big change to our roadmap to
announce typically," was false and misleading because at the time of the statement, Llano was

1 experiencing significantly low yield which was and would continue to negatively affect the
2 Company and its financial prospects.

3 **I. August 25, 2011 – AMD Names Rory P. Read President and CEO**
4 **Conference Call**

5 194. On August 25, 2011, the Company hosted a conference call to announce the
6 appointment of Rory P. Read as President and CEO. Read, Seifert, and Bruce Claflin, Chairman
7 of AMD’s Board of Directors, were present (among others) and spoke at the conference. During
8 the call Seifert, Read, and Claflin continued to tout the adoption of the Fusion technology,
9 including Llano, discussed the success AMD had with Brazos and Llano, and discussed
10 “manag[ing]” AMD’s “technology foundry system very professionally.”

11 195. In his prepared remarks, Claflin discussed how the Company had already
12 “successfully delivered the first Fusion APUs to the market.” Seifert echoed this sentiment by
13 stating: “We’re all excited by the opportunities the launch of Fusion has created.” Read also
14 discussed what he called the “Fusion APU phenomenon” and said that “we’re just scratching the
15 surface of where we can go.” Seifert commented on how important Fusion would be for pricing:
16 ***We have made no secret out of it that the launch of -- especially of the mainstream part of
our Fusion family is going to be a big lever for us to improve pricing mix and price
performance for the Company moving forward.*** Finally, Seifert discussed the importance of
17 the foundry relationships [GlobalFoundries and TSMC] in terms of the products that had been
18 launched that year at AMD [Brazos and Llano]:
19

20 Seifert:

21 Very good point. But I think if we see anything in this market and
22 the changes that are happening and ***the success we had with the
products that we launched this year*** is that while manufacturing
23 and technology is important it’s not sufficient to be successful in
24 this market space.

25 We think that product design, product positioning, value
26 proposition around the markets that we attack is very important, I
27 think that is -- we’ve clearly seen this on the Brazos launch. ***We
have to manage our technology foundry system very
professionally and I think we’ve seen especially in the discrete
traffic side that we can take market leadership and keep market
leadership over many generations and years in a foundry
relationship.***

1 *And I [think] the products that are going to be rolled out this*
2 *year or that we have been rolling out last quarter [i.e., Llano]*
3 *under mainstream Fusion parts and also the new server product*
4 *point us in the right direction.* So I'm not trying to [abate] this
5 question, technology and manufacturing, technology is important.
6 We'll make sure that we manage our partners this way. But it's
7 not the -- it's necessary but it's not sufficient to be successful in
8 this market segment.

9
10 196. These statements were materially false and misleading for the reasons stated in
11 ¶175. Particularly, statements concerning the Fusion family (i.e., Brazos and Llano) being a
12 “big lever for us to improve pricing mix and price performance for the Company moving
13 forward” were false and misleading because Llano was experiencing significantly low yields that
14 would continue to negatively affect the Company and its financial prospects. Defendants'
15 statements concerning their foundry relationship (i.e., GlobalFoundries and TSMC) were also
16 false and misleading because they failed to disclose that the yield issues were occurring at
17 GlobalFoundries, significantly impacting the Company's ability to meet channel demand.

18 **J. September 13, 2011 – AMD at Deutsche Bank Technology Conference**

19 197. On September 13, 2011 Seifert participated in the Deutsche Bank Technology
20 Conference, and Seifert discussed Llano's strength and demand for Llano:

21 Analyst:

22 Well, we very much appreciate you coming to the conference.
23 Why don't we just start with a little bit -- I'm starting all of these
24 Q&A sessions with a little bit of view on the macro side of things.
25 I know there's a lot of good AMD-specific drivers but let's start
26 with macro first and what you're seeing?

27 Seifert:

28 It is a complex picture. Just reading the newspaper opening up this
29 morning with what is happening in Europe makes you kind of
30 nervous, but for us the picture in overall demand patterns has not
31 really changed. You know, we have been largely conservative all
32 year long even entering the year. *The demand that ties our*
33 *business today is pretty much driven out of emerging countries,*
34 *Brazil, China, India. And not much changed to what we have*
35 *said in the first quarter and the second quarter.*

36 *So from that perspective, not much -- not many big and new*
37 *news.* We have to keep however in mind that the third quarter is
38 always a big back-end loaded quarter both in terms of demand and
39 in terms of supply so we have a way to go. *But I would say the*
40 *demand patterns are as they were.*

1 *We continue to make very good progress in emerging countries.*
2 The United States is so-so. Canada is holding up nicely. Europe is
3 just weakness all over the place and, where you find strength, it is
4 not really meaningful from a volume perspective.

5 Analyst:

6 And how much of that strength do you think is AMD-specific
7 because of the new products you have or would you say actually
8 after a year of burning inventory the computing market is lean
9 enough that it's going to [mark] -- across the board?

10 Seifert:

11 Good question. So we have been saying that this year for us in our
12 development, the launch of our new products [Brazos and Llano],
13 the traction we see and this is actually more important than what we
14 will see as in terms of impact, in terms of overall PC growth; and I
15 think that is holding up nicely so far and the first -- *the launch of*
16 *our first Fusion product family [Brazos and Llano] was hugely*
17 *successful and we continue to ride that wave.*

18 It brings performance and battery life to a price point that is
19 uniquely defined to take advantage, especially of *emerging*
20 *markets trends*. So this product in combination where we see
21 demand strengths is really driving it. *And we followed up, as you*
22 *know, with our second generation of products, the Llano*
23 *products and you see similar behavior.*

24 *So we think we have an extremely innovative architecture that is*
25 *doing extremely well in the market, and that helps us to a certain*
26 *degree to also decouple from macroeconomic demand patterns.*

27 198. These statements were materially false and misleading for the reasons stated in
28 ¶175. Specifically, ten weeks into the quarter (with only two weeks to go), Seifert discussed
1 how well Llano was doing in the market, attributing the strength in emerging markets, including
2 China, in part to Llano.

3 **K. PARTIAL DISCLOSURE - September 28, 2011 News Release**

4 199. After the market closed on September 28, 2011, in a partial disclosure of the truth,
5 AMD issued a press release entitled "AMD Announces Preliminary Third Quarter Results." In
6 the press release, the Company pre-announced disappointing results for the third quarter. Instead
7 of third quarter revenues increasing by 10%, as had previously been forecasted, revenues were
8 now expected to increase only four to six percent. In addition, AMD announced that margins
9 were now expected to be 44% to 45%, lower than the previously forecasted 47%. AMD blamed
10 the decline in revenues on the decline in the market for personal computers.

1 this earnings and margin miss on “yield, ramp and manufacturing” issues at GlobalFoundries
2 that limited Llano supply, but in an effort to blunt this bad news, emphasized that demand for
3 Llano remained strong, and also blamed the miss in part on a later-than-expected introduction of
4 AMD’s new server processor:

5 **The less-than-forecasted preliminary third quarter 2011**
6 **revenue results are primarily due to 32 nanometer (nm) yield,**
7 **ramp and manufacturing issues at GLOBALFOUNDRIES in**
8 **its Dresden, Germany factory that limited supply of “Llano.”**
9 Additionally, 45nm supply was less than expected due to
complexities related to the use of common tools across both
technology nodes. **AMD continues to work closely with its key**
partner GLOBALFOUNDRIES to improve 32nm yield
performance in order to satisfy strong demand for AMD
products.

10
11 The less-than-forecasted preliminary third quarter 2011 gross
12 margin results are **primarily due to less-than-expected supply of**
13 **“Llano”** and associated products with higher average selling price
(ASP). Additionally, shipments of AMD’s next-generation server
processor, codenamed “Interlagos,” occurred later in the third
quarter than originally anticipated.

14 200. On this news, AMD stock plunged nearly 14% from a closing price of \$6.15 on
15 September 28, 2011, to a closing price of \$5.31 on September 29, 2011, on extremely heavy
16 volume.

17 201. Analysts were disappointed in the news, but still believed that the strong demand
18 for Llano would continue to drive margins. A BMO Capital Markets report published on
19 September 29, 2011 stated: "**the nature of the cuts at AMD is disappointing** and raises
20 difficult questions again regarding the company’s ability to execute on a consistent basis, fabless
21 or not. **The company is having yield issues at the 32-nanometer node**, besides other
22 manufacturing issues at its Dresden Fab." On that same day a Wedbush analyst stated:

23 [M]anagement indicated on our call last night that demand trends
24 for its products, particularly Llano, were tracking in-line with
expectations. **AMD indicated that the shortfall in revenue was**
25 **largely driven by constrained [Llano] supply** and the timing of
shipments of Bulldozer core CPUs and not related to slowing of
demand. **We believe AMD’s commentary on strong demand for**
26 **its flagship Llano supports our belief that AMD is gaining**
share in mainstream and performance notebooks.

1 202. While Defendants revealed for the first time that production issues were limiting
2 Llano supply, they did not tell the whole truth about the full extent of the impact the yield
3 problem was having on AMD's business. Defendants failed to reveal that the yield issues –
4 which occurred prior to and throughout the quarter, had significantly affected AMD's supply
5 channel and would continue to do so until Llano yields improved. In addition, it was misleading
6 for Defendants to tout “strong” customer “demand,” yet omit to tell the market that due to the
7 lack of Llano supply, the Company was prioritizing Llano shipments to only one segment of its
8 customers – its tier 1 OEM customers – and neglecting to supply its important distribution
9 channel customers which sources emerging markets with any Llano product as a result. As of
10 the date of the September 28, 2011 news release – nearly four months after the product launch
11 (and approximately six months after the channel should have received its first shipments)⁹ – the
12 Company had not yet distributed Llano to the channel, and that failure caused the Company to
13 miss channel sales during the important back-to-school selling season.

14 **L. October 27, 2011 Form 8-K**

15 203. On October 27, 2011, after the market closed, AMD filed a Form 8-K with the
16 SEC and attached a press release entitled “AMD Reports Third Quarter Results.” For the
17 quarter, the Company reported revenue of \$1.69 billion, net income of \$97 million, or \$0.13 per
18 share, and gross margin of 45%. With respect to its current outlook, the press release noted that
19 AMD expected its 2011 fourth quarter revenue to increase 3% sequentially, plus or minus 2%.

20 204. The October 2011 press release contained a statement from Read assuring the
21 market that despite the earlier yield issues, there was “***strong adoption of [the] APUs.***” The
22 October 2011 press release also touted APU shipment growth in emerging markets, like China,
23 and design wins for Llano:

24 “***Strong adoption of AMD APUs drove a 35 percent sequential***
25 ***revenue increase in our mobile business,***” said Rory Read, AMD
26 president and CEO. “Despite supply constraints, ***we saw double***
digit revenue and unit shipment growth in emerging markets like
27 ***China and India*** as well as overall notebook share gains in retail at
28 mainstream price points. Through disciplined execution and

9 The Company stated in the April 4, 2011 conference call that it was already shipping Llano for revenue to customers—two months in advance of the launch.

1 continued innovation we will look to accelerate our growth and
2 refine our focus on lower power, emerging markets, and the
cloud.”

3 ***

4 Leading notebook manufacturers including Acer, ASUS, Dell,
5 AMD, Lenovo, Samsung and Toshiba continued to increase global
availability of their notebook platforms based on the AMD A-
Series APUs, bringing brilliant HD graphics and up to 10.5 hours
6 of battery life(3) to users worldwide.

7 205. The Company also published a “CFO Commentary” as an attachment to the Form
8 8-K that repeated the 3Q11 results and 4Q11 guidance. While the CFO Commentary
9 acknowledged the yield issues with Llano, it tempered any negative impact with a misleading
10 description of positive developments of sales in the channel:

11 ***Revenue in the third quarter of 2011 was adversely impacted by
32 nanometer (nm) yield, ramp and manufacturing issues
experienced by one of our foundry partners, that limited supply
of “Llano” – our 32nm Accelerated Processing Unit (APU).***

12 Additionally, 45nm supply was less than expected due to
13 complexities related to the use of common tools across both
14 technology nodes.

15 ***

16 ***In addition, since our preliminary results announcement in
September 2011, we saw unanticipated sales strength in the
Channel through the end of the quarter.***

17 206. These statements were false and misleading for the reasons stated in ¶202. In
18 addition, as of the date of CFO Commentary—nearly five months after the Llano product launch
19 (and approximately seven months after the channel was supposed to receive Llano)—the
20 Company had not yet distributed any Llano product to the channel. The statements made
21 concerning “anticipated strength in the channel through the end of the quarter” were false and
22 misleading for the same reason; AMD was not yet selling Llano to the channel (and would not
23 begin doing so until December 2011). Moreover, the Defendants omitted to state that, by now,
24 AMD had already missed channel sales during the critical back to school selling period.
25

26 **M. October 27, 2011 – 3Q11 Earnings Conference Call**

27 207. Following the Company’s 2011 third quarter earnings announcement, AMD held
28 a conference call with analysts to discuss the Company’s earnings and operations. Read and

1 Seifert participated on the call. During the conference call, Read and Seifert acknowledged the
2 32nm yield issues that had affected 3Q11 but repeatedly assured the market that “***demand was***
3 ***strong and interest in [AMD Fusion] products was significant.***” In his prepared remarks, Read
4 stated:

5 Read:

6 However, we also had our challenges. We saw both 32 nm and 45
7 nm supply challenges in the third quarter. No doubt we must
8 improve our execution, and we are taking action to improve our
9 ability to consistently deliver our products on time, day in and day
out. We are working with our key partners to improve the
processes, disciplined to deliver on our commitments to our
customers. We have more to do, but we are clearly making
progress and we are on the right path.

10 ***

11 From an execution standpoint, you know and we know ***we faced***
12 ***significant manufacturing challenges in the quarter. Having***
13 ***said that, demand was strong and interest in our products is***
14 ***significant.*** We will continue an aggressive effort with our
15 foundry partner to improve manufacturing performance at this
important 32 nm technology. And we are already seeing steady
improvement day after day, week after week, but we are not out of
the woods yet.

16 ***

17 So in summary, our exciting new AMD Fusion architecture is a
18 unique and differentiated approach, and we are seeing ***strong***
interest from the marketplace.

19 ***

20 ***Customer demand is strong and momentum is clearly there.***

21 208. In response to a question about execution on the yield, Read responded in part as
22 follows, suggesting the yield problem was resolved: “And clearly, ***we will ship significantly***
23 ***more 32nm product in the fourth quarter than we did in the third quarter.***”

24 209. In response to an analyst question to Seifert regarding the gross margin impact
25 that the Llano yield problem would have in the fourth quarter, Seifert responded by assuring the
26 market that the high ASP Llano would help the Company’s gross margins recover moving
27 forward:
28

1 Analyst:

2 My first question is about gross margins. Thomas, in your
3 comments, you indicated ASPs were up, it sounds like, quite
4 noticeably in the quarter, and *obviously gross margin is impacted*
5 *by yields.* But how should we think about the recovery of gross
6 margin as yields improve, particularly given the ASP trends you
7 have, and then, specifically, *how should we think about gross*
8 *margins for Q4?*

9 Seifert:

10 *As we said there in the script, in the third quarter we had to fight*
11 *a couple of headwinds, mainly on 32 nm supply impacting really*
12 *the product mix we had in terms of high ASP and highly margin-*
13 *accretive 32 nm product.* And we also had to make some trade-off
14 decisions on 45 nm capacity that hit us from a cost of goods sold
15 perspective. And then, we had to deal with a higher relative share
16 of graphic product in the overall revenue picture.

17 So how is that going to change moving forward? So, a couple of
18 trends you have to keep in mind, headwinds and tailwinds. *The*
19 *tailwinds certainly are we will recover gross margin by shipping*
20 *a higher share of Llano products* and we will increase gross
21 margin, of course, by increasing our server revenue.

22 210. Read was asked whether AMD's failure to execute on the yield issue had long
23 term customer impact, and Read responded, touting the APU platform and stating that there was
24 no "irreversibl[e] damage."

25 Analyst:

26 Rory, thanks for that. Maybe just a follow-up question here, so
27 just based on the comments again, it sounds like what fell short
28 must have been desktop. And I wonder as I think about the
29 execution issue, one, do you sense that there is a longer-term
30 impact from that? Did you just turn some customers off forever
31 because you screwed it up on the execution side? And the reason I
32 bring up desktop is I wonder if that's less impactful when it's in
33 desktop than it would have been were it to be seen more in your
34 notebook results, because I think that's where your customers are
35 probably depending on you more.

36 Read:

37 Well, that's kind of interesting. I've had the opportunity over the
38 first two months here to really meet with just about *every major*
39 *partner across the planet, and you know, the feedback has been*
40 *very consistent. They really believe in this AMD APU kind of*
41 *strategy based on the Fusion architecture.*

42 You know, it's not a surprise that we saw revenues increase 35%
43 sequentially based on this strong APU demand in the mobile space.

1 And think about it -- to date, we've already shipped 20 million
2 Brazos in that area.

3 Clearly from being a customer in my past job, it's about building
4 trust, trust in execution, trust in technology. We have to continue
5 to focus on that. That is job one from my perspective. If we
6 execute better, we'll enhance that trust. *I don't think we've*
irreversibly damaged that trust at this point, but we eroded some
of it and we need to make sure that we execute every day to our
commitments.

7 211. In response to a question regarding the uptick in channel strength towards the end
8 of the third quarter, Read stated:

9 What we've seen in the notebooks segment, JoAnne, is *we've seen*
10 *strong uptake in the APU demand, whether it's in the Brazos*
area, and low power and more in the entry bands or into the
Llano segment where it's a little bit more into the mainstream....

11 *The APU strategy that we put in place with the Fusion*
12 *architecture, with the Brazos and Llano chipsets, really takes*
13 *advantage -- the idea of the CPU and GPU together, and the idea of*
14 *delivering the graphical, the user experience from the cloud **is very***
well positioned, and customers are clearly reacting to that in the
mobile segment in terms of those entry to mainstream price
bands.

15 *I think that's a reflection that we've been listening to the*
16 *marketplace and we've been reacting to it.* At this point in the
17 third quarter, the APU mix of our total client business is up to 90%
18 of that client mix, and I think that's pretty telling. *We're going to*
19 *continue to double-down there, focus on building out that APU*
strategy, continue to drive for low power. These are the trends
that the customers in those segments are saying, and we're
seeing it across the planet.

20 212. In terms of fourth quarter demand, Seifert promised that the Company would
21 deliver more Llano product:

22 Analyst:

23 Your guidance for growth in December, just a clarification. Did
24 you say that that will be driven by an increase in output of Llano,
25 so there will actually be a fair increase in revenue from Llano,
26 rather than a shift back to more output on 45 nm?

27 Seifert:

28 So we guided revenue up quarter over quarter with a midpoint of
29 3%, and *we also said that this will include a significant increase*
of our shipments on 32 nm and Llano. Yes, that is true.

28 ***

1 Analyst:

2 Okay, great, and could you give us a rough idea of how many
3 Llano chips did ship in the September quarter and what you expect
 in terms of unit shipments in December for Llano?

4 Seifert:

5 No, but I said you can deduct that from what I said before. Our
6 original intent was to really outperform the Brazos ramp in terms
7 of steepness of the slope, and we were, for the reasons we have
 discussed now at length, not able to achieve that. ***But we are on a***
similar trajectory than we -- what we had on our Brazos ramp on
a quarterly comparable level.

8 213. The above statements were materially false and misleading for the reasons stated
9 in ¶202. The statements concerning APU Fusion customers, including statements regarding
10 “strong uptake in the APU demand” in the channel, “customer demand,” and “momentum” were
11 false and misleading because they omitted to say that the lack of Llano supply due to the yield
12 problems caused the Company to prioritize Llano shipments to its tier 1 OEM customers only,
13 and was failing to supply any Llano product to the important distribution channel customers. As
14 of the date of the October 27, 2011 earnings call – nearly five months after the product launch
15 (and approximately seven months after the channel should have received its first shipments) –
16 the Company had not yet distributed Llano to the channel. The statements concerning increase
17 in margins due to increase in Llano shipments in the fourth quarter were false and misleading
18 because as of the first month of the first quarter (end of October), AMD was still not shipping to
19 the channel, and could not start shipping to the channel until December 2011. Read’s statement
20 about strong uptake in Llano demand in response to an analyst’s question concerning “channel
21 strength ticking up towards the end of the third quarter,” was false and misleading for the same
22 reason – as of that date, the Company was still not shipping Llano to the channel.
23

24 214. Notably, during the conference call, Read admitted that the yield problems
25 persisted throughout the whole quarter and that AMD knew ***throughout*** the quarter that the
26 Company would miss guidance.
27

28 Read:

 From a standpoint, clearly we were disappointed with the
 execution around the yields in the 32 nm space, and ***that occurred***

over sustained periods of time, and as I mentioned in my comments in earlier questions, we are not out of the woods yet.

* * *

When we took a look at the data **throughout the quarter**, it was clear that we were going to miss the original guidance, and **there is no doubt that was the case**.

* * *

It's not so much only a matter of here's a product issue and we have product yield issue, it was really – it was much more a matter of how do you get a significant and very steep capacity ramp handled at our foundry partner? A lot of new tools had to be brought on place, had to be ramped, had to be qualified, and how disciplined and how successful this steep ramp-up process was handled **gave us a lot of headache over the quarter and a lot of volatility.**

11 215. Read and Seifert also admitted their close attention to and awareness of the issue.
12 Read stated that we're "focused" on the yield issue "every single day." Read personally "spent a
13 lot of time with their executive team and they're bought in just as significantly at
14 GLOBALFOUNDRIES as AMD to work with us and to find the right path here, and then
15 bringing up the other key partners, like IBM and PDF as I suggested earlier. These things are the
16 things that will help to lift that on a sustainable basis." Read assured the market that they were
17 "maniacal" in their focus and fully understood AMD's manufacturing processes with their
18 "hands on the rudder and driving this boat." stating:

We're making progress and we're focused on it every single day, and we're seeing progress, but again **we are focused at a machine-by-machine level, step by step, and trying to improve both our sort yields, our total yields across the board.**

3

I think it's unfair to kind of suggest that we don't have understanding of the root cause [of AMD's chip manufacturing difficulties]. The analysis that we're doing is machine by machine, step by step. We're making those changes as we speak and we begin - we have begun to see over the past several weeks, with this kind of intense maniacal focus on execution, that it starts - starts of improvements across that set.

So I don't want to leave anyone with a feeling that we aren't working that, understanding the issue and have our hands on the rudder and driving this boat. We have work to do, I'll for sure share that, and you know it and I know it. We have to improve our execution, but we have the experience, the expertise

1 that's getting underneath that that we believe will drive further
2 improvements as we go through the quarter. Thomas, do you want
3 to add anything?

4 216. Seifert echoed this sentiment, explaining that the Company had “maniacal focus”
5 and confirming several CW accounts that AMD itself had put several teams on the yield
6 problem:

7 It's not like this is an iterative process where we don't know where
8 we go. It's a complex situation. It takes **maniacal focus**, as Rory
9 said. **We've put lots of teams on this problem from our**
10 **partner, from our Company, from outside, from the ecosystem,**
11 and we work hard in that direction. We see the improvement. It is
12 the steep road, but we know the direction and we know the path.

13 N. **November 9, 2011 3Q Form 10-Q**

14 217. On November 9, 2011, AMD filed its Form 10-Q for the 2011 third quarter ended
15 October 1, 2011 with the SEC (the “2011 3Q Form 10-Q”). The 2011 3Q Form 10-Q was signed
16 by Seifert and touted the strong demand for Llano. While the Company acknowledged the yield
17 issues that occurred during the third quarter with respect to Llano’s 32nm processor, AMD
18 continued to mislead the market about the true extent of how the yield issue impacted the
19 Company starting in at least June (the end of the second quarter) and continuing throughout the
20 third quarter:

21 We continued to experience **strong customer demand for our**
22 **AMD Fusion family of accelerated processing unit (APU)**
23 **products during the third quarter of 2011.** As a result, over 90%
24 of the processors for mobile devices that we shipped in the third
25 quarter of 2011 consisted of APU products. We made progress
26 towards improving our competitive position in our server business
27 by commencing revenue shipments of our AMD Opteron 6200
28 Series server processors, codenamed Interlagos, at the end of the
third quarter of 2011.

29 *We also experienced challenges during the third quarter of 2011,
30 particularly related to supply shortages of certain microprocessor
31 products manufactured using the 32nm and 45nm technology
32 nodes, which adversely impacted our ability to fulfill customer
33 demand. Specifically, GLOBALFOUNDRIES Inc. (GF)
34 experienced yield and other manufacturing difficulties related to
35 32nm wafer fabrication, resulting in lower than expected supply
36 of AMD Fusion A-series APUs, codenamed Llano, to us.* We
37 also experienced supply constraints for our 45nm microprocessor
38 products due to complexities related to the use of common tools
39 across both the 32nm and 45nm technology nodes and because we
40 made the decision to shift volume away from products
41 manufactured using the 45nm technology node in order to obtain

1 additional Llano products. We continue to work closely with our
2 foundry partner to improve yields. However, we expect that
3 during the fourth quarter of 2011, we will continue to shift volume
4 away from products manufactured using the 45nm technology
5 node in order to obtain additional Llano products, and therefore,
we expect that we will continue to experience some supply
constraints for our 45nm microprocessor products during the fourth
quarter of 2011, which would have an unfavorable impact on gross
margin.

6 218. The 2011 3Q Form 10-Q included certifications signed by Seifert and Read,
7 required under the Sarbanes-Oxley Act of 2002 (“SOX”), representing that the “report does not
8 contain any untrue statement of material fact or omit a material fact necessary to make the
9 statements made, in light of the circumstances under which such statements were made, not
10 misleading with respect to the period covered by this report.”

11 219. The statements made in the 2011 3Q Form 10-Q were false and misleading for the
12 reasons stated in ¶202. These statements were also false and misleading because they omitted
13 that as of that date – nearly six months after the product launch (and approximately eight months
14 after the channel should have received its first shipments) – the Company had still not yet
15 provided Llano to the channel.

16 220. In addition, the 2011 3Q Form 10-Q failed to furnish information that the known
17 yield issues were having on AMD’s operations for its key APU product, specifically because of
18 the yield issues, AMD would not be able to ship and had not shipped product to its key
19 distribution channel customers, instead prioritizing shipments to its top tier OEMs. This
20 information was required to be disclosed by Item 303 of Regulation S-K [17 C.F.R. §229.303]
21 as a “known trend[] or uncertain[y]” that had or that the registrant reasonably expected will have
22 a material unfavorable impact on net sales or revenues or income from continuing operations,
23 and was a material event or uncertainty known to management that would cause reported
24 financial information not to be necessarily indicative of future operating results.

25 **O. December 7, 2011 – AMD at Barclays Capital Global Technology Conference**

26 221. On December 7, 2011, Seifert participated in the Barclays Capital Technology
27 Conference. Seifert touted Llano and told the market that AMD was able to “meet customer
28 demand” in October and November:

1 I think overall, this year was a very important and also successful
2 year for us, because we have been able to show that, first of all, ***we***
launched the APU architecture. And it was a huge success. The
3 low power products we launched in the beginning of the year, we
have sold about 20 million units in less than three quarters. ***And***
4 ***even with the supply limitations we had on the Llano side, we did***
good.

5 ***

6 So we put a significant effort in place at GlobalFoundries,
7 (inaudible) with GlobalFoundries, with us but also with IBM. And
this [throwing] off, we make steady good improvements. I think
8 we already said it in one of the other rounds, ***and we were able to***
meet customer demand, both in October and November. And that
9 makes us confident that we are on the right track. So we see
improvement.

10 222. The above statements were materially false and misleading for the reasons stated
11 in ¶202. The statements were also false and misleading because AMD was not able to meet
12 customer demand in October and November. Indeed a substantial and important segment of
13 AMD's customer base – the channel customers previously touted by Defendants as having high
14 “demand” – did not even begin to receive Llano until December 2011. The statements were also
15 false and misleading because they omitted that the yield problems resulted in the Company
16 prioritizing shipments to OEMs over the channel through December 2011 and, by this point,
17 AMD's failure to meet their channel demand was continuing to cause weak channel adoption and
18 negatively impacting demand of Llano.

19 **P. January 24, 2012 Form 8-K**

20 223. On January 24, 2012, after the market closed, AMD filed a Form 8-K with the
21 SEC and attached a press release entitled “AMD Reports Fourth Quarter and Annual Results.”
22 For the quarter, the Company reported revenue of \$1.69 billion, net income of negative \$177
23 million, or loss per share of \$0.24, and gross margin of 46%. For the year ended December 31,
24 2011, AMD reported revenue of \$6.57 billion, net income of \$491 million, or \$0.66 per share,
25 and operating income of \$368 million. The Company issued the following guidance: “AMD
26 expects revenue to decrease eight percent, plus or minus three percent, sequentially for the first
27 quarter of 2012.”

28

1 224. The January 2012 press release also touted the success AMD was having with
2 demand and sales for APUs (Brazos and Llano) in the fourth quarter:

3 ***Worldwide demand for AMD APUs continued to increase***
4 ***throughout the fourth quarter.*** AMD shipped more than 30
5 million APUs in 2011, including a record number of mobile
processors found in notebooks from Acer, Asus, Dell, AMD,
Lenovo, MSI Samsung, Sony and Toshiba.

6 225. The Company also published a “CFO Commentary” as an attachment to the Form
7 8-K that repeated AMD’s fourth quarter 2011 financial results, its annual 2011 financial results
8 and first quarter 2012 guidance. “AMD expects revenue to decrease eight percent, plus or minus
9 three percent, sequentially for the first quarter of 2012.... Gross margin is expected to be
10 approximately 45 percent as we approach concluding our GLOBALFOUNDRIES Wafer Supply
11 Agreement renegotiations.” In addition, the CFO Commentary detailed positive developments
12 in the Computing Solutions segment due to the Llano’s success in the fourth quarter of 2011:

13 ***We achieved quarterly record client revenue driven by an***
14 ***increase in supply of Llano APUs.***

15 In Q4 2011, APUs [Brazos and Llano] accounted for nearly 100%
16 of mobile microprocessors shipped, and more than 60% of total
client microprocessors shipped.

17 226. These statements were materially false and misleading for the reasons stated in
18 ¶¶202, 222.

19 **Q. January 24 2012 – 4Q11 Earnings Conference Call**

20 227. On January 24, 2012, the Company hosted an earnings conference call to discuss
the fourth quarter 2011 and annual 2011 results after the market closed. Read and Seifert
21 participated on the call and touted strong customer demand and interest for AMD’s APUs,
22 including Llano, in emerging markets like China. Read and Seifert also discussed increased
23 revenue attributable to Llano.

24 228. In their prepared remarks, Defendants stated:

25 Read:

26 2011 progress was tempered by execution challenges that impacted
our supply. We took several steps during the course of the year to
better manage our foundry partnerships. ***Over the last two***
quarters, 32- nanometer yields and performance have steadily
improved at GLOBALFOUNDRIES. As a result of the focus on

improved execution, 32- nanometer unit shipments increased by more than 80% from third quarter to fourth quarter, and now represents a full one-third of our overall processor mix.

Now looking more closely at the fourth quarter. Revenue was \$1.69 billion, flat sequentially and up 2% from a year ago. ***Record APU shipments and increased demand for our server chips resulted in strong financial performance in what turned out to be an unusually weak quarter for the overall industry.***

Revenue was impacted by lower than expected GPU demand and a one-time issue that limited supply of the 45-nanometer desktop processors. Working closely with our strategic foundry partner, we believe the 45-nanometer issues have been corrected, and we will see supply rebound in the first quarter.

Despite these challenges, ***we continue to improve our ability to meet our customer commitments.*** We also successfully transitioned the Company to a lower-cost operating model while driving continued adoption of the latest innovative products. As a result, our non-GAAP net income improved to \$138 million, or \$0.19 a share for the fourth quarter.

Now let's take a look at our client business. Our strategy to deliver the best experiences possible, at mainstream price points, continues to pay off, resulting in record APU unit shipments for the quarter. AMD APUs were in five of the top six best-selling systems in North America retail in the fourth quarter, including two of the most popular systems.

* * *

For example, in China, we posted our third straight quarter of significant retail notebook share gains, and customer adoption of our APUs continues to increase.

* * *

So, in summary, our APU momentum continues to accelerate.
Our server business continues to strengthen, posting two straight quarters of double-digit growth. We continue to offer the fastest graphics technology on the planet, ***and we are seeing consistent improvement in 32-nanometer yields and execution performance***

Seifert:

We shipped more than 30 million APUs to date We achieved record quarter client revenue, driven by an increase in supply of Llano APUs. In Q4 of 2011, APUs accounted for nearly 100% of mobile microprocessors shipped in more than 60% of the total client microprocessors shipped. Microprocessor ASP increased sequentially, due to an increase in mobile microprocessor ASP and an increase in server units shipped.

229. Analysts then asked a series of questions about customer interest, customer acceptance, and demand for Llano, and Read and Seifert responded as follows:

Analyst:

Yes, guys, congratulations on the good results. I'm just kind of curious, Rory and Tom, when you look at the guidance you're giving for the first quarter, can you help us put that into context? Is there an assumption that the hard disk drive issue in Thailand is negatively impacting Q1, and that's reflected? Are there further share gains?

And I'd be curious on the positive trend in servers, whether or not you'll make it three-for-three, as far as sequential growth. Thanks.

Read:

Hey, thanks, John. ***There is no doubt that the customer acceptance of our APU architecture is quite strong.*** We've now shipped over 30 million of these APUs to date. And we're seeing a strong uptake in terms of that architecture and what it means to the customer. They are looking for a better experience. I think that's a key reason why we've seen the momentum in our business and the ability to deliver on that.

You know, our focus on execution around the APUs and around Llano is definitely paying off. And I think as we move forward, we should be able to continue to build on that momentum.

* * *

Analyst:

Can you say whether or not your 32-nanometer yields are sufficiently good, whereby you are now actually meeting the demand you have for that product? Or are you still a little bit short relative to demand?

Read:

So Glen, that's a very good question and focus. *We've been intensely focused on addressing this execution challenge. And there's no doubt that this kind of focus is producing benefit. Week in and week out, we've seen steady improvement from where we started the quarter and where we ended 3Q.*

We've actually increased our Llano 32-nanometer product delivery by 80% from the third quarter. And now Llano makes up almost 60% of the mobile microprocessing revenue. I think this is a good step in the right direction. This gives us the momentum, and we were able to deliver in a more effective way on the customer demands.

Is there a strong interest in the product? Absolutely. Do we need to continue to build on the execution progress that we've made?

1 For sure. We're not out of the woods yet but we're making steady
2 progress. And with that, we've been delivering each and every
3 week better and better and better. That 80% improvement quarter-
quarter suggests a nice mix in terms of 32-nanometer, and
positions us again for 1Q.

4 You're going to see us keep that focus, and it's our commitment to
5 continue to improve that to deliver on every customer
6 commitment. ***Because building on that customer commitment,
delivering on them, is the bedrock of developing long-term
customer trust, which will fuel future growth.***

7 230. These statements were materially false and misleading for the reasons stated in
8 ¶¶202, 222. These statements were also false and misleading because Defendants failed to
9 disclose that channel demand was weak and adoption was low because the channel did not start
10 receiving Llano until December, which was already half way into Llano product cycle. Indeed,
11 at this point, Defendants had already lost half a year of channel sales (including lucrative back to
12 school and holiday) for a product whose lifecycle was only approximately one year. In addition,
13 statements about emerging markets were false and misleading because the Company was
14 experiencing weak demand in its channel which sourced emerging markets. Moreover, as more
15 fully described in Section IV.K.2., because of the delay in receiving Llano, motherboard
16 manufacturers had effectively abandoned Llano, reducing the supply of Llano motherboards in
17 the market and thus significantly reducing the ability for Llano to be incorporated into
18 computers. In addition, channel demand and adoption was weak because the channel was
19 already looking forward to the next generation Trinity APU (which required a different kind of
20 motherboard), which was set to launch in mid to late 2012.

21 **R. 2011 Form 10-K**

22 231. On February 24, 2012, AMD filed its Form 10-K for the 2011 fiscal year ended
23 December 31, 2011, with the SEC (the "2011 Form 10-K"). The 2011 Form 10-K was signed by
24 Read and Seifert, and contained materially false and misleading statements about the "strong
25 demand" for the Company's Llano-based APU platforms, stating, in pertinent part, as follows:

26 **Computing Solutions**

27 Computing Solutions net revenue of \$5.0 billion in 2011 increased
28 4% compared to net revenue of \$4.8 billion in 2010, primarily as a
result of a 16% increase in unit shipments partially offset by an
11% decrease in average selling price. ***The increase in unit***

1 ***shipments was attributable to an increase in unit shipments of***
2 ***our microprocessors, including APU products for mobile devices,***
3 ***as well as our chipset products. Unit shipments of our***
4 ***microprocessors, including APU products for mobile devices***
5 ***increased due to strong demand for our Brazos and Llano-based***
6 ***APU platforms.*** However, the increase in unit shipments in 2011
7 was limited by supply constraints with respect to certain
8 microprocessor products manufactured using the 32nm technology
9 node.

10 ***

11 In 2011, we experienced important changes in our business. First,
12 we continued to develop and deliver differentiated products. **We**
13 **launched our AMD family of APU products and experienced**
14 **strong customer demand, especially for our AMD E-Series and**
15 **C-Series APUs designed for low-power desktop and mobile**
16 **platforms, codenamed “Brazos,” and our AMD A-Series APUs,**
17 **codenamed “Llano,” for mainstream desktop and mobile**
18 **platforms.** We introduced a number of competitive graphics
19 products in 2011.

20 232. While the 2011 Form 10-K made reference to the yield issues that had plagued the
21 Company the year before, it omitted to state how the yield issues had continued to impact the
22 Company:

23 However, our progress during 2011 was tempered by supply
24 constraints related to our 32nm microprocessor products. We took
25 steps during the course of the year to better manage our
26 relationships with our third-party wafer foundries, and during the
27 second half of 2011, 32nm yields and performance have improved.

28 ***

29 ***For example, during the third quarter of 2011, GF experienced***
30 ***yield and other manufacturing difficulties related to 32nm wafer***
31 ***fabrication, resulting in lower than expected supply of 32nm***
32 ***products to us. Also in the third quarter, we experienced supply***
33 ***constraints for our 45nm microprocessor products from GF due***
34 ***to complexities related to the use of common tools across both***
35 ***32nm and 45nm technology nodes and because we made the***
36 ***decision to shift volume away from products manufactured using***
37 ***the 45nm technology node in order to obtain additional 32nm***
38 ***products. Because we were supply constrained with respect to***
39 ***32nm and 45nm wafers, our revenues and gross margin in the***
40 ***third quarter of 2011 were adversely impacted.*** Also, during the
41 fourth quarter of 2011, we experienced reduced supply of 45nm
42 product from GF because of a manufacturing disruption that
43 reduced the number of 45nm wafers available for production. If
44 GF is unable to achieve anticipated manufacturing yields for 45nm
45 or 32nm wafers or future technology nodes, then we may
46 experience supply shortages for certain products which may have a
47 material adverse impact on our revenue and gross margins and our
48 ability to effectively manage our business.

1 233. The 2011 Form 10-K included SOX certifications signed by Read and Seifert
2 stating that the “report does not contain any untrue statement of material fact or omit a material
3 fact necessary to make the statements made, in light of the circumstances under which such
4 statements were made, not misleading with respect to the period covered by this report.”

5 234. The above statements were materially false and misleading for the reasons stated
6 in ¶¶202, 222, 230.

7 235. In addition, the 2011 Form 10-K failed to furnish information about the true
8 financial impact that the yield problems had and continued to have on channel sales and on the
9 adoption of the Llano platform, and the impact it would have on AMD’s future operating results.
10 This information was required to be disclosed in the 2011 Form 10-K pursuant to Item 7 of the
11 instructions to Form 10-K, which provides that companies disclose information called for under
12 Item 303 of Regulation S-K.

13 **S. February 2, 2012 - AMD 2012 Financial Analyst Day**

14 236. On February 2, 2012, AMD held its 2012 Financial Analyst Day webcast with
15 analysts and investors to discuss the Company’s operations. On the webcast, Defendant Su
16 touted the “great customer reception” and the market’s adoption of AMD’s APUs and noted that
17 the Company saw its shipments of APUs “continuing to grow and the momentum continuing to
18 grow into 2012 and 2013”:

19 So in 2011, we launched the AMD APUs, and it’s been fantastic.
20 You heard it from Rory. We’ll say it many, many times today,
first to introduce heterogeneous computing in the marketplace. ***It
had great customer reception. The performance of the Llano
APU is 3x what a typical general purpose processor would do
and that’s the power of bringing the processor and the graphics
capability together.*** When you look at the roadmap, and I’m going
21 to talk to you about the roadmap for second generation and third
22 generation APUs, we will take that in the mainstream to 1
23 TeraFLOP. And it’s really just a couple of years away.

24 ***The thing about APUs is where do we think it can go in the
market, and if you look at the market adoption for this
technology, it’s been fantastic.*** We’ve shipped over 30 million
25 APU units [to date] and if you look at it just started shipping in
fourth [quarter] 2010, it really has made tremendous progress.
26 11 of the top 12 OEMs are shipping AMD APUs and, we see that
27 continuing to grow and the momentum continuing to grow into
28 2012 and 2013.

1 237. These statements were materially false and misleading for the reasons stated in
2 ¶¶202, 222, 230.

3 **T. March 1, 2012 - AMD at Morgan Stanley Technology, Media and Telecom**
4 **Conference**

5 238. On March 1, 2012, Seifert presented at the Morgan Stanley Technology, Media &
6 Telecom Conference. At the conference, Seifert reiterated his previous positive statements about
7 AMD's ability to increase the output of and the momentum associated with Llano-based
8 products, stating:

9 *[S]o we've made significant progress on the foundry side.
10 Working together with GLOBALFOUNDRIES has allowed us to
11 really get into gear. We shipped 80% more 32-nanometer Llano-
12 based products Q3 over Q4. So, the team, both on the
13 GLOBALFOUNDRIES side, as well as on our side, working
14 together have done an outstanding job.*

15 So, with this momentum, we go - we went into 2012. '12 is
16 important because on the Llano side, Llano will be replaced with
17 Trinity. It's our second generation of APUs for the mid
18 performance segment. That's important because it has the next
19 generation of [disk read] GPU, of course, and our next generation
20 of Piledriver architecture on the CPU side, so a significant step
21 forward.

22 *The momentum is good at this point in time.*

23 ***

24 We also said that we are going -- we are pleased about this because
25 it pretty much allows us to replace lower gross margin discrete
26 revenue, especially at the low-end [Brazos], with higher gross
27 margin APU revenue [Llano]. *So, it's moving in the direction
28 that we thought it would move, probably a bit faster based on the
success we had with our APU launches in last year. So, we are
happy with this trend.*

29 239. These statements were materially false and misleading for the reasons stated in
30 ¶¶202, 222, 230.

31 **U. April 19, 2012 Form 8-K**

32 240. On April 19, 2012, after the market closed, AMD filed a Form 8-K with the SEC
33 and attached a press release entitled "AMD Reports First Quarter Results." For the quarter, the
34 Company reported revenue of \$1.59 billion, down 6% from the previous quarter but in line with
35 AMD's guidance, and a net loss of \$590 million, or \$0.80 loss per common share. Non-GAAP

1 gross margin was flat quarter over quarter, but was 2% on a GAAP basis due to the 2012
2 Amendment to the GlobalFoundries Wafer Agreement. With respect to its outlook, the press
3 release noted that AMD expected its revenue during the second quarter of 2012 to increase 3%
4 sequentially, plus or minus 3%.

5 241. The Company also published a “CFO Commentary” as an attachment to the Form
6 8-K that repeated the first quarter 2012 financial results and second quarter 2012 guidance. In
7 addition, the CFO Commentary touted continued APU and particularly Llano adoption in first
8 quarter of 2012:

9 *APUs continue to increase as a percentage of our Client
products.*

10 *Llano is driving APU adoption in top-selling notebook SKUs in
North America priced above \$400.*

11 242. These statements were materially false and misleading for the reasons stated in
12 ¶¶202, 222, 230.

13 **V. April 19, 2012 - 1Q12 Earnings Conference Call**

14 243. The Company hosted an earnings conference call to discuss the first quarter 2012
15 results that day after the market closed. Read and Seifert participated on the call. During the
16 conference call, Read and Seifert touted “higher than anticipated” demand for the Llano,
17 particularly in the emerging markets:

18 Read:

19 *Adoption of our APUs continues to accelerate. APUs accounted
for nearly 100% of our mobile unit shipments in the quarter,
helping drive an approximate 30% increase in mobile processor
unit shipments and significant mobile revenue growth from a
year ago.* We saw strong success in the critical 400 to 700
mainstream retail notebook price band, which accounts for nearly
50% of all notebooks sold in retail in 2011.

20 Seifert:

21 The Graphics segment revenue was sequentially flat in the
22 typically down quarter. Non-GAAP gross margin was 46%, flat
23 sequentially and a point higher than expected. The delta to
24 guidance is the *result of higher than anticipated demand for
certain 32-nanometer Llano products, particularly in emerging
markets.*

25 ***

1 *APUs continue to increase as a percentage of our client products,*
2 *and Llano, our first-generation 32-nanometer APU, powered top-*
3 *selling notebook SKUs in North America priced above \$400.*

4 244. Then, during the question and answer session of the conference call, Read and
5 Seifert touted production, shipment, and positive gross margin impact associated with AMD's
6 32nm products, which include Llano. First, Seifert highlighted that AMD entered the quarter
7 with "a lot of momentum," stating, in pertinent part, as follows:

8 Yes, let me start with the gross margin question first. *So without*
9 *any doubt, we have made good progress on the yield side on 32-*
10 *nanometer. We entered the quarter with a lot of momentum and*
11 *we saw some benefits in terms of product mix earlier than we*
12 *expected. We expected some of those benefits in the second*
13 *quarter, and that has allowed us to come, gross margin-wise, in*
14 *the first quarter a little bit higher than expected.*

15 So moving into the second quarter, what are the headwinds and the
16 tail winds? *We expect to continue to build on our yield*
17 *improvement on 32-nanometer. We expect to build on the*
18 *momentum we see on the product mix side.* And we will see
19 some headwinds from quite a significant number of 28-nanometer
20 products that are going to start to ramp in the second quarter.

21 So if you put all the gives and takes together, we will see the
22 benefit continue that we see in the first quarter and we expect gross
23 margin to be slightly up, flat to slightly up, in the second quarter.

24 245. Then, Read explained that, while supply constraints "kind of held... back" 32nm
25 chip shipments in the desktop market during the fourth quarter of 2011, he did not see "any
26 significant issues" in the important desktop market, and Seifert noted that 32nm shipments,
27 including the Llano, were "up significantly" during the 2012 first quarter. Read stated in
28 pertinent part, as follows:

29 *From the standpoint of desktop, there's no doubt those earlier*
30 *issues [supply constraints] kind of held that back.* We are
31 intensely focused on increasing our ability to deliver and really
32 recapture that share in desktop. *This is important for our business*
33 *and it is important to go forward I don't really see, from a*
34 *desktop perspective, any significant issues.* We've just got to
35 deliver the 45 [nm] processor load and the 32 [nm]. We've got to
36 ramp that up as, now, supply positions are dramatically better.

37 Analyst:

38 Got it. **And so last quarter, you said Llano was up like 80%.**
39 **What were your 32-nanometer shipments up this quarter in**
40 **that environment?**

1 Seifert:

2 We are not going to comment, but it was up significantly. We are
3 going to - (multiple speakers) stopping giving concrete guidance
4 here. I think ***it's important for you to understand that the***
progress is significant and we are not any longer supply limited
on that note.

5 246. In response to an analyst questioning whether new product introductions such as
6 Trinity were resulting in a reallocation or reduced purchases of the Llano or Brazos shipments,
7 including by the channel, Read responded that he was “not seeing” any such impact and that “the
8 Brazos APU has done very well in emerging markets and Llano followed that up,” stating, in
9 pertinent part, as follows:

10 Analyst:

11 Thanks and congrats on a nice quarter. I have a question about
12 how your customers are handling the transition from Llano to
13 Trinity and Brazos, the original version, to Brazos 2.0. Are you
14 seeing any of them pause in their purchases? And are you instead
15 sending, perhaps, some of those existing inventories out to
16 emerging markets and channel customers, rather than the OEMs?
17 Can you give us (multiple speakers) transition, and if there’s a lull
18 in the second quarter here because of that?

19 Read:

20 Okay, no problem. Thanks for the question. From the standpoint
21 of emerging market I do want to reference the emerging market.
22 ***In the quarter, we've definitely seen continued microprocessor***
revenue growth, up about 21% year-over-year. And clearly, the
Brazos APU has done very well in emerging market and Llano
followed that up...

23 ***So I'm not seeing that, JoAnne in terms of pause or concern.***

24 247. The above statements were materially false and misleading for the reasons stated
25 in ¶¶202, 222, 230. In addition, statements about emerging markets were false and misleading
26 because the Company was experiencing weak demand in its channel which sourced emerging
27 markets. Moreover, the statements regarding Trinity were false and misleading because by this
28 point, channel customers had already moved on to developing technology for Trinity, including
new motherboards, effectively abandoning Llano as a product, as more fully discussed in Section
IV.K.2.

1 **W. May 8, 2012 - AMD at Bank of America Merrill Lynch Global Technology**
2 **Conference**

3 248. On May 8, 2012, Seifert presented at the Bank of America Merrill Lynch Global
4 Technology Conference. At the conference, Seifert made positive statements about AMD's
5 gross margins, stating:

6 Analyst:

7 Thomas, maybe one question on gross margins. So, obviously, a
8 very strong performance over the last several quarters. How do we
9 think about the trajectory from here because when I look out over
10 the next several quarters, you do have to come out of new products
11 based on these new nodes where the cost of manufacturing is going
12 up essentially, so does that become a headwind in terms of
13 approaching your 50% [cost] long term?

14 Seifert:

15 Well, moving down or moving up the trajectory is always a
16 balance of headwinds and tailwinds. And there will be certain
17 headwinds for sure because we will see an extended ramp on 28
18 nanometers and more products at TSMC, the first ramps that are
19 going to start at GlobalFoundries.

20 But at the same time, we see ourself moving up the product stack,
21 so to speak. *The product mix is getting better, the momentum on*
22 *the infrastructure side, on the service side hopefully continues.*
23 *So we always set beyond this year. We have line of sight beyond*
24 *50% gross margin. And from today's perspective, there is no*
25 *reason to deviate from that statement.*

26 249. These statements were materially false and misleading because the low demand
27 and lack of adoption by the channel of its high margin product Llano, resulting from the yield
28 problems in 2011, would negatively materially affect margins moving forward.

29 **X. May 19, 2012 1Q Form 10-Q**

30 250. On May 9, 2012 AMD filed its Form 10-Q for the 2012 first quarter ended
31 March 31, 2012 with the SEC (the "2012 1Q Form 10-Q"). The 2012 1Q Form 10-Q was signed
32 by Seifert, and touted strong customer demand for and adoption of Llano:

33 Computing Solutions net revenue of \$1,203 million in the first
34 quarter of 2012 was relatively flat compared to net revenue of
35 \$1,200 million in the first quarter of 2011 as a result of a 2%
36 increase in unit shipments offset by a 2% decrease in average
37 selling price. The increase in unit shipments was primarily
38 attributable to an increase in unit shipments of our APU products
39 for mobile devices as well as our chipset products, partially offset
40 by a decrease in unit shipments of our desktop microprocessor

1 products. ***Unit shipments of our microprocessors for mobile***
2 ***devices increased due to strong demand for our Brazos and***
Llano-based APU platforms.

3 ***

4 ***Gross margin in the first quarter of 2012 benefited from the***
5 ***higher than anticipated demand for certain 32nm Llano***
products, particularly in emerging markets.

6 251. While the 2012 1Q Form 10-Q made reference to the yield issues that had plagued
7 the Company the year before, it omitted to state how the yield issues had continued to impact the
8 Company:

9 ***GF experienced yield and other manufacturing difficulties***
10 ***related to 32nm wafer fabrication, resulting in lower than***
11 ***expected supply of 32nm products to us. Also in the third quarter***
12 ***of 2011, we experienced supply constraints for our 45nm***
13 ***microprocessor products from GF due to complexities related to***
14 ***the use of common tools across both 32nm and 45nm technology***
15 ***nodes and because we made the decision to shift volume away***
16 ***from products manufactured using the 45nm technology node in***
17 ***order to obtain additional 32nm products. Because we were***
18 ***supply constrained with respect to 32nm and 45nm wafers, our***
19 ***revenues and gross margin in the third quarter of 2011 were***
20 ***adversely impacted.***

21 252. Further assuring investors of the veracity of these statements, the 2012 1Q Form
22 10-Q included certifications signed by Seifert and Read, representing that the “report does not
23 contain any untrue statement of material fact or omit a material fact necessary to make the
24 statements made, in light of the circumstances under which such statements were made, not
25 misleading with respect to the period covered by this report.”

26 253. The above statements were materially false and misleading for the reasons stated
27 in ¶¶202, 222, 230. These statements were also materially false and misleading because, as a
28 result of the yield problems in 2011, the low demand from, and lack of adoption by the channel
of the high margin Llano, would negatively and materially affect AMD’s margins moving
forward.

29 254. In addition, the 2012 1Q Form 10-Q failed to furnish information that the known
30 yield issues were having on AMD’s operations for its key APU product, specifically, because of
31 the yield issues, AMD had not be able to ship product to its key distribution channel customers
32

1 until December 2011 and instead had been prioritizing shipments to its top tier OEMs. This
2 resulted in some of AMD's most important distribution customers in the channel not adopting
3 the Llano platform. This information was required to be disclosed in the 2011 1Q Form 10-Q
4 pursuant to Item 2 of the instructions to Form 10-Q, which provides that companies disclose
5 information called for under Item 303 of Regulation S-K [17 C.F.R. §229.303].

6 **Y. PARTIAL DISCLOSURE – July 9, 2012 News Release**

7 255. After the market closed on July 9, 2012, AMD issued a press release pre-
8 announcing an expected revenue miss of 14% for its fiscal 2012 second quarter, the period ended
9 June 30, 2012. AMD now expected revenue to **decrease** approximately 11% for the quarter
10 compared to its April 19, 2012 guidance of an expected increase of 3%, plus or minus 3%. The
11 press release attributed the revenue miss primarily to softer than expected channel sales in China
12 and Europe, as well as a weaker consumer buying environment impacting the Company's OEM
13 business.

14 256. In response to this news, AMD's stock price fell more than 11%, on heavy
15 volume, to close at \$4.99 per share on July 10, 2012.

16 257. Analysts were shocked by the magnitude of the miss. A BMO Capital Markets
17 analyst report published on July 9, 2012 stated that "the miss by AMD was rather large."

18 258. While this information revealed that AMD had experienced lower channel
19 demand for Llano, it did not fully reveal the extent of the problems and that the issues with the
20 channel stretched back to early 2011.

21 **Z. PARTIAL DISCLOSURE - July 19, 2012 Form 8-K**

22 259. On July 19, 2012, after the market closed, AMD filed a Form 8-K with the SEC
23 and attached a press release entitled "AMD Reports Second Quarter Results," announcing
24 AMD's financial results for the second quarter of 2012. For the quarter, the Company reported
25 revenue of \$1.41 billion, down 11% from the previous quarter, and net income of \$37 million, or
26 \$0.05 per common share. With respect to its then-current outlook, the press release noted that
27 AMD expected revenue during the third quarter of 2012 to decrease 1%, plus or minus 3%.

28 260. According to the July 2012 press release:

Overall weakness in the global economy, softer consumer spending and **lower channel demand** for our desktop processors in China and Europe made the closing weeks of the quarter challenging,” said Rory Read, AMD president and CEO. “***We are taking definitive steps to improve our performance and correct the issues within our control*** as we expect headwinds will continue in the third quarter as the industry sets a new baseline.

* * *

Computing Solutions segment revenue decreased 13 percent sequentially and year over-year. The sequential decrease was driven primarily by **lower desktop channel sales in China** and Europe as well as a weaker consumer buying environment impacting sales to Original Equipment Manufacturers (OEMs).

AA. PARTIAL DISCLOSURE - July 19, 2012 – 2Q12 Earnings Conference Call

261. On July 19, 2012, after the market closed, the Company hosted an earnings
conference call to discuss the disappointing second quarter 2012 results. Read, Seifert, and Su
participated on the call.

13 262. During the conference call, Read and Seifert attributed the earnings miss to two
14 factors: weak sales of Llano APUs for desktop products in the distribution channel, principally
15 in the Chinese and European markets, and a softer consumer market for notebooks. Read and
16 Seifert also revealed for the first time that AMD's botched rollout of Llano to the channel
17 market, i.e., its failure to timely supply the channel with product, led to weak channel adoption
18 that negatively impacted AMD's business:

Read:

For the second quarter, our revenue of \$1.41 billion decreased 10% from a year ago and 11% sequentially, missing our expectations. After a reasonable start, we saw business velocity slow in the later part of the quarter, driving this revenue miss. **This second-quarter revenue shortfall was largely driven by two key factors - first, weak sales of desktop processors in the channel, primarily in China and Europe; and, secondly, a soft consumer PC market that impacted OEM notebook processor sales.**

Looking at the specifics of the desktop business, sales to OEMs increased sequentially based on their continued adoption of APUs. However, **our desktop channel revenue declined significantly as our Llano product did not experience the same uptake it had with our OEM customers.** Looking back, when we were significantly 32-nanometer supply constrained last year, we prioritized shipments of Llano to our OEM customers. As a

1 **result, channel partners saw a dramatic change in supply**
2 **linearity and a misalignment with motherboard availability.**
3 **This clearly impacted Llano sales and built inventory in the**
4 **channel.**

5 **Correcting our channel challenges with Llano is largely within**
6 **our own control. Moving forward, we will focus on**
7 **accelerating desktop channel sell-through and share proper**
8 **supply linearity and more effectively position Llano's value**
9 **proposition in this area. It is clear that the overall PC market**
10 **experienced softness in the second quarter, particularly in the**
11 **consumer space. This impacted our notebook processor business.**

12 Seifert:

13 Computing Solutions segment revenue was \$1.05 billion, down
14 13% sequentially, driven primarily by lower channel sales in China
15 and Europe, as well as a weaker consumer buying environment
16 impacting sales to OEMs. Client product revenue declined 13%
17 sequentially, primarily due to lower ASPs.

18 Units also decreased in the second quarter. **Both were primarily**
19 **driven by lower demand for desktop processors and product**
20 **mix in the channel in China and Europe.**

21 263. Seifert also revealed that inventory, primarily of Llano, reached an exceptionally
22 high level of \$833 million, the highest level that the company's inventory had been in seven
23 years:

24 Inventory was \$833 million exiting the quarter, up \$248 million
25 from the prior quarter, primarily due to lower sales in the quarter
26 and in preparation for previously anticipated demand. The
27 inventory build consists primarily of our latest generation of
28 products that, at the end of the quarter, was unchanged at \$2.02
29 billion.

30 264. Later on the call, in response to an analyst question seeking clarification about the
31 purported “misalignment” between in Llano and motherboard availability, Read **admitted the**
32 **issue originated in 2011** when the yield issues had occurred and that demand for the Llano was
33 not as strong **moving into 2012**. Read also admitted that “damaged linearity” and “pricing” with
34 the Llano APUs and motherboards in the distribution channel “wasn’t at the right levels as we
35 exited the year [2011],” stating, in pertinent part, as follows:

36 Analyst:

37 Rory, do you mind going through the mechanism that occurs in the
38 channel in terms of the mismatch between motherboards with the
39 Llano? I got a little confused in terms of what may have happened
40 and how you can fix that here over the next several months.

1 Read:

2 Sure, Hans. From the standpoint, **this originated back and last**
3 **year when we had that first Llano supply chain issue.** And of
4 course you know, Hans, that we had to target our supply to our
5 OEMs. And that was the right thing to do.

6 **As we introduced Llano late in the year to the channel that**
7 **those motherboards had been there for some period of time**
8 **and really damaged linearity**, and pricing wasn't at the right
9 levels as we exited the year. **As we move forward into 2012, the**
10 **uptick [in demand] on Llano in the channel wasn't as strong as**
11 **we expected.** And what we are doing here moving forward, Hans,
12 is we're focused on improving and focusing on sell-out activity
13 throughout the tiers of the channel, improving the communication
14 of our value proposition in this key segment and to make sure that
15 we deliver on this momentum in the desktop channel around
16 linearity with our channel partners. Does that help, Hans?

17 Analyst:

18 Yes. Just to confirm, so the uptick in the channel was due to a
19 sudden availability of Llano, or had the motherboards been already
20 kind of designed for another processor?

21 Read:

22 No, the **mismatch occurred early in the cycle** as we went through
23 this in terms of they were introduced to the channel earlier in the
24 cycle. Then, as the **Llano product came in late in the year of**
25 **[2011], there was a mismatch in terms of pricing, etc.¹⁰** This
26 impacted linearity. **And then we didn't enjoy the same uptick**
27 **[in demand] that we saw around Llano that we saw with our**
28 **OEMs.**

29 265. Su explained that the supply of motherboards relative to the supply of the Llano is
30 what caused the “nonlinearity” in AMD’s sales channel, stating:

31 Analyst:

32 Okay, and when you refer to positioning being a bit off, is this
33 mismatch that you and Rory have talked about referring primarily
34 to pricing or to the allocation of different qualities of Llano to
35 different particular channel partners?

36 Su:

37 **It's really where we had motherboard supply relative to CPU**
38 **supply and the resulting nonlinearity in the channel.**

39

40 ¹⁰ The conference call transcript reflects that Read said “the Llano product came in late in the
41 year of 2012.” Read misspoke because “late in the year of 2012” had not yet occurred at the
42 time Read made, or was represented to have made, such statement.

1 266. Read then admitted that the Company was responsible for the problems managing
2 supply to the channel, for the motherboard linearity issues stating that these issues, which caused
3 AMD's revenue shortfall were "largely in our control":

4 Analyst:

5 Just real quick, I just wanted to clarify the weakness in desktops.
6 Was it just CPU, or was it also a problem with graphics in desktop
products?

7 Read:

8 Graphics enjoyed - had a solid quarter. It was within seasonal
9 expectation and history. We saw good performance out of our
next-generation 28-nanometer products, and we have strong supply
there. We did not see issues in terms of the graphics space, in
terms of that.

11 Where the big issue in terms of the quarter – **and that is largely in
our control – is around the desktop business in the channel
around CPUs and around the APU product.** We did not see the
same uptick as I talked about earlier - uptake that we saw with the
OEMs. And it's interesting, Uche; in the OEMs we've done very
well with Llano in terms of the book and in desktop at the OEMs.
**So I believe that we have not done a good job in terms of
linearity and managing our supply to our partners,**
communicating the strong value proposition deeper into the
channel and to ensure that our promotions are focused on how to
drive this launch. And that's what we're going to focus on in 3Q
and 4Q.

17 ***

18 **In the desktop channel, I believe that's more around our
control.** I think we executed not as effectively as we could have,
and I believe that we did not enjoy that same uptake in that channel
space. We will make sure that our promotions and our incentives
are focused around sales out and that our marketing
communications help build the understanding deeper into tier 2, 3
and 4 in the channel to make sure that we get that velocity.

22 ***

23 [A]s I've covered several times around the channel, I think we've
24 articulated where the issue is around the uptake around the Llano
business in the channel. And I believe that our focus around the
25 three core actions to improve linearity - as you know, the channel
partners make money based on their turns of their business and
return on capital. You must have strong linearity. Second
26 program – make sure we focus on the promotions that drive
sellout lower into the second and third tier of the channel. And
27 then, finally, make sure we're educating and training the channel
28 on the value proposition we offer.

1 Su:

2 **We got ourselves a bit out of position [with the channel],**
3 **admittedly, and that's a big reason for our shortfall.**

4 267. Despite these admitted difficulties, Defendants continued to misleadingly tout
5 Llano's prospects and reassure the market that the inventory issue would be back to a normal
6 level in the next two quarters, and that Llano was a "good product" that would continue to sell
7 alongside Trinity:

8 Analyst:

9 Thank you very much. **What do you expect to be the ratio of**
10 **Trinity versus Llano sales in the September quarter?**

11 Read:

12 Well, we wouldn't get into the specifics in terms of
13 communicating, but clearly we've already launched the Trinity
14 activities with our notebook OEM partners and we'll continue to
15 build that. ***That doubled sequentially. Llano is an important***
16 product throughout the balance of this year and into 2013. It's
17 very relevant to leverage both of those solutions as we move
18 forward, and we'll continue to do that.

19 ***

20 Su:

21 Yes, let me make a couple of comments on that. ***So Llano is a***
22 ***good product.*** If you look at where we are selling, it's selling into
23 both notebook and desktop OEMs, as well as the channel. We got
24 ourselves a bit out of position, admittedly, and that's a big reason
25 for our shortfall. ***But when we look forward, it's really the focus***
26 ***on sellout velocity and getting the overall positioning correct with***
27 ***both the CPUs as well as the motherboards. And we think we're***
28 ***doing that. Trinity will also be an excellent product that will go***
29 ***into the channel, and I think we will run with both products for***
30 ***some time in the channel.***

31 ***

32 Analyst:

33 And can you just give us an estimate on how long you think it will
34 take to get your inventory and the channel inventory back to a level
35 where you feel comfortable?

36 Read:

37 We're going to work on that in 3Q and in the second half of the
38 year. We believe that that's the right focus and ***we'll work***
39 ***through that in each of those next two quarters.*** We believe that

1 we'll track that week on week and ensure that we have that right
2 focus.

3 268. When questioned by analysts, Seifert deceptively dismissed the notion AMD's
4 future gross margins would be adversely affected by the large amount of unsold Llano inventory,
stating that margins continued to be well within prior guidance:

5 Analyst:

6 So it sounds like we're going to get a little more aggressive on
7 price to clear out the inventory at AMD and in the channel. How
8 long do you think it will take to clear it out? And then, if you can
just talk about gross margin plans beyond Q3 **and the impact that**
that would have on it as well?

9 Seifert:

10 With respect to margin, we are here today to talk about Q3 and I'm
11 not going to provide guidance on Q4 margin. With that being said,
we gave guidance for the full year in the range of 44% to 48%,
and we are well within this range at this point.

13 269. In response to the above revelations, despite Defendants attempt to temper the
14 news, AMD's stock price fell more than 13%, or \$0.64 per share, on heavy volume, to close at
15 \$4.22 per share on July 20, 2012.

16 270. Analyst were surprised by the news. On July 19, 2012, Credit Suisse stated
17 "While a soft outlook is consistent with macroeconomic concerns and a weak/weakening PC
18 market, **AMD is clearly suffering from company specific issues** – guide implies AMD -12%
19 from 1Q-3Q vs. INTC +11%. **Specifically, it would seem that Llano shortages in 2H11 are**
20 **now negatively impacting channel relationships/rev in 2H12.**" On July 20, 2012, Morgan
21 Stanley wrote: "AMD has interesting niche products but faces intensifying struggles to monetize
22 them this year. We knew short-term OEM support was limited, **but are surprised by...AMD's**
23 **OEM centric new mgmt team inadequately servicing the channel business**, and server
24 declines."

25 271. On the other hand, however, analysts were comforted by Defendants' remarks
26 concerning Llano sales and margins moving forward, even in light of the Trinity launch. On
27 July 20, 2012, Wells Fargo stated: "AMD's Llano chip had persistent yield problems which we
28 believe are related in part to design. We had assumed that Trinity would ramp sharply mid 2012,

1 with a corresponding quick ramp down in the problematic Llano product. **On the earnings call**
2 **though AMD said Llano will continue to be an important product through the rest of 2012**
3 **and into 2013.”**

4 272. Notwithstanding the recent revelations, Defendants still had not told the market
5 the whole truth. While Defendants now admitted that AMD was experiencing problems with
6 Llano channel demand and adoption dating back to the year before, they led the market to
7 believe that Llano’s prospects were still strong, it was still a successful product that would sell
8 through the channel would and not be cannibalized by Trinity, and that AMD would sell through
9 any excess inventory. The truth was that the botched roll-out had more serious implications than
10 the Company had previously stated, resulting in the channel’s failure to adopt Llano, and would
11 continue to adversely affect the Llano inventory and gross margin as a result, ultimately
12 requiring AMD to write-down its entire inventory of Llano.

13 **BB. PARTIAL DISCLOSURE – October 11, 2012 Press Release**

14 273. On October 11, 2012, after the market closed, AMD filed a Form 8-K with the
15 SEC and attached a press release entitled “AMD Announces Preliminary Third Quarter Results.”
16 The press release revealed that gross margins for the third quarter were expected to **decline 13%**
17 **to 31%; far less than the previous forecast of approximately 44% made at the end of the**
18 **prior quarter.** The press release also revealed that AMD needed to record an approximate \$100
19 million inventory write-down, mainly attributable to the “lower anticipated future demand for
20 certain products.”

21 274. In response to the above revelations, AMD’s stock price fell more than 14%, or
22 \$0.46 per share to close at \$2.74 per share on October 12, 2012, on heavy volume.

23 **CC. FINAL DISCLOSURE – October 18, 2012 8-K and 3Q12 Earnings**
24 **Conference Call**

25 275. On October 18, 2012, after the market closed, AMD filed a Form 8-K with the
26 SEC and attached a press release entitled “AMD Reports Third Quarter Results and Announces
27 Restructuring.” For the quarter, the Company reported revenue of \$1.27 billion, down 10%
28 from the previous quarter and a net loss of \$157 million, or \$0.21 per common share. The

1 Company also announced that its gross margin for its fiscal 2012 third quarter declined to 31%.
2 The press release also confirmed the \$100 million inventory write-down announced a week
3 earlier. Additionally, the press release revealed for the first time **that the \$100 million**
4 **inventory write-down mainly comprised Llano.**

5 276. More specifically, according to the CFO Commentary, attached to the Form 8-K
6 as an exhibit:

7 Gross margin was 31% primarily due to an inventory write-down
8 of approximately \$100 million due to lower than anticipated future
9 demand for certain products. **The write-down was comprised**
10 **mainly of first generation A-Series APU products (“Llano”)**
11 **which adversely impacted gross margin by approximately 8**
percentage points. Third quarter gross margin was also
negatively impacted by weaker than expected demand, which
contributed to lower ASPs for the company’s microprocessor
products and lower utilization of back-end manufacturing facilities.

12 277. Following the Company’s 2012 third quarter earnings announcement, AMD held
13 a conference call after the market close with analysts and investors to discuss the Company’s
14 results. During the conference call, Devinder Kumar, AMD’s then interim CFO, explained that
15 the Llano inventory write-down accounted for approximately 8% of the 15% total quarter-over-
16 quarter decline in AMD’s gross margins.

17 Revenue for the third quarter of 2012 was \$1.27 billion, down 10%
18 sequentially, driven by an 11% decline in the Computing Solutions
19 segment and a 7% decline in the Graphics segment revenue. Gross
margin was 31%, down 15% sequentially, partially due to the \$100
20 billion (sic - see press release, “\$100 million”) inventory write-
down which adversely impacted gross margin by 8 percentage
21 points. This write-down was the result of lower-than-anticipated
future demand for certain products and mainly comprised of the
first-generation A-Series APUs, code-named Llano.

22 278. Kumar further disclosed that the Llano inventory would not be sold due to the
23 product transition from Llano to the next generation A- Series APU Trinity, which entered the
24 market on October 2, 2012:

25 When you go ahead and take an inventory write-down from an
26 overall standpoint, accounting wise, **what happens is we have a**
27 **product transition from Llano to Trinity.** Trinity, as you heard
Rory say, up [17%] quarter-on- quarter, doing well. And [] with
the market conditions from an accounting standpoint, that you also
look at -- he valued the inventory against the future demand, and in
28 particular customer commitments.

1 We did that in the early part of this quarter after Q3 ended. And we
2 took the incremental inventory write-down. **Typically in these**
situations it is not a plan to go ahead and sell that inventory.

3 279. On October 18, 2012, the market finally understood the full story. The significant
4 and persistent Llano yield problems throughout most of 2011 delayed availability of the product
5 to an important part of AMD's customers – for nearly six months of the product's one year life
6 cycle, resulting in the channel failing to adopt the product, and then simply moving on to the
7 next technology. *See §IV. K. 2.* Moreover, the market now understood that Defendants' Llano
8 demand remained strong and would be a good product for AMD for the remainder of 2012 were
9 simply false. Demand was actually so weak that AMD wrote-off its supply of Llano as
10 unsellable.

11 280. In reaction to these latest revelations, AMD's stock price fell another 17%, or
12 \$0.44 per share, to close at \$2.18 per share on October 19, 2012, on extremely heavy volume.

13 281. Analysts were surprised by the huge guidance miss and the inventory write down.
14 For example, on October 12, 2012, Wedbush commented: "Q3 revenue negative pre not a
15 surprise given weak PC demand, but big gross margin guide down comes as a negative
16 surprise...Although AMD cited overall macro weakness, industry checks indicate AMD also lost
17 market share. **While the revenue miss wasn't a surprise, the big reduction in pro forma GM**
18 **guidance to 31% from 44% primarily due to a \$100MM inventory write down, lower ASPs**
19 **and utilization rates was."**

20 **VI. ADDITIONAL ALLEGATIONS SUPPORTING THE INDIVIDUAL**
21 **DEFENDANTS' SCIENTER**

22 282. At all relevant times, the Individual Defendants acted with scienter in making
23 materially false and misleading statements during the Class Period. Each of the Individual
24 Defendants had actual knowledge that the statements made by him were false and misleading, or
25 acted with deliberately reckless disregard for the truth or falsity of those statements. Each of the
26 Individual Defendants' intent to deceive, or deliberately reckless disregard for the truth, is
27 demonstrated by substantial direct and circumstantial evidence supporting a strong inference of
28 scienter.

1 **A. APU Strategy and Particularly Llano was Extremely Important to the**
2 **Company's Success**

3 283. Microprocessors made up the core of the Company's products in sales during the
4 Class Period, accounting for approximately 66% of AMD's revenues in 2011 and approximately
5 61% of AMD's revenues in 2012. Throughout the Class Period, the Company's new APU
6 microprocessors were AMD's main focus. In particular, AMD's Fusion APU strategy was so
7 critical to the Company that Bergman told the market that AMD made "a big bet of Fusion with
8 the *future of the Company.*" Analysts called: "AMD's Fusion platform strategy ... a game-
9 changer" for AMD. Defendants were intensely focused on the success of the APU platforms
10 with all of the Individual Defendants discussing numerous times throughout the Class Period just
11 how important APUs, and particularly Llano, were for the Company's bottom line. *See e.g.*,
12 Sections IV.E, I. The Company had a lot riding on Llano particularly because Llano, unlike
13 Brazos, was made to be a high margin accretive product and was expected to have a huge effect
14 on the Company's revenues and profitability. Moreover, Llano was designed to compete head to
15 head with Intel's 32nm processor Sandy Beach. A successful launch for Llano could have
16 resulted in increased market share against its major competitor – Intel.

17 **B. AMD's Relationship with Related Party GlobalFoundries**

18 284. Prior to and during the Class Period, AMD and GlobalFoundries had a very close
19 relationship. Before spinning off, GlobalFoundries was part of AMD. In 2009, during the
20 development of Llano, AMD owned 32% of GlobalFoundries and occupied two board seats.
21 During 2010, at the time of the significant yield issues, GlobalFoundries still owned 23% of
22 GlobalFoundries and occupied two board seats. During 2011, AMD continued to own 10% of
23 the Company and occupied one board seat. GlobalFoundries was listed as a Related Party in
24 AMD's relevant Form 10-Ks.

25 285. AMD also admitted that it had a close relationship with GlobalFoundries. During
26 the Analyst Investor Day on February 2, 2012, John Docherty, Head of Manufacturing
27 Operations described the "deep relationships" AMD has with their suppliers, including their
28 foundries, i.e., GlobalFoundries. He stated: "[Every day] calls for a long period of time.

1 Intimate, sitting down, often, frequent, everyday drumbeats. We are on calls, our team are on
2 calls, or are involved in hands-on face-to-face meeting with our supplier base every day, 7 days a
3 week and that's what it takes. And again, I repeat, they're not always pleasant meetings.
4 Sometimes they are. In fact, let me assure you, they've got more pleasant in last quarter than
5 they were the last previous quarter [referring to the yield issues with GlobalFoundries].” With
6 regard to the fabrication process of AMD products, Docherty confirmed that “AMD is involved
7 every step of the way.”

8 286. During the Llano production process Defendants were heavily involved with
9 GlobalFoundries in trying to fix the yield issues. As discussed in Section IV.K., and as admitted
10 by Defendants themselves, AMD spent an incredible amount of manpower and resources on the
11 Llano yield problems, and sent engineers to the “fabs” to assist GlobalFoundries in correcting
12 the problems. AMD was involved in daily and “weekly meetings at multiple levels,” involving
13 AMD and GlobalFoundries employees from around the world, related to Llano. Seifert and
14 Read, who were “intimately” involved in production issues at GlobalFoundries related to Llano,
15 also participated in calls with GlobalFoundries throughout 2011 to discuss the poor yield.
16 Bergman and Read also attended weekly production meetings to discuss the status of chips,
17 launches, and issues at GlobalFoundries, with Bergman reporting to Seifert what was discussed
18 at the meetings.

19 287. Read verified his own personal involvement with GlobalFoundries when he stated
20 during the October 27, 2011 3Q11 earnings conference call that he personally “spent a lot of
21 time with their [GlobalFoundries] executive team [dealing with the yield issue] and they’re
22 bought in just as significantly at GLOBALFOUNDRIES as AMD to work with us and to find the
23 right path here.”

24 **C. Defendants Were “Hands On” Managers Intimately Involved with Both the**
25 **Yield Issues and Customer Supply Chain Issues**

26 288. As detailed in Section IV.K., Seifert, Read, and Bergman were hands on
27 managers who were closely involved with the production process for Llano. With respect to the
28 yield issue, Read told the market that “we’re focused on it every single day,” and that he had his

1 “hands on the rudder and driving this boat.” Both Seifert and Read told the market that they had
2 “maniacal focus” on the Company’s business, especially with regard to execution on the Llano
3 yield issue. Seifert and Read were also involved in the planning process, tracking customer
4 supply and demand. They attended monthly Sales and Operation Planning meetings at AMD to
5 discuss customer demand as it relates to product supply. It follows that Defendants made the
6 decision to prioritize shipments to OEMs over the channel starting in at least April 2011, based
7 on their own later admissions that the channel did not receive Llano until December 2011. Su’s
8 was also closely involved with AMD’s customers. Her job was to focus AMD is client
9 relationships, graphics and the game console market, including in emerging markets. Su, who
10 reported directly to Read, oversaw an AMD task force responsible for execution and getting
11 products out to customers on time.

12 **D. AMD’s Focus on its Channel Customers**

13 289. Defendants focused specifically on AMD’s channel customers. Indeed,
14 Defendants made it a point during calls with analysts to tout high channel demand for its APUs,
15 including Llano, precisely because channel customers were important to the APU strategy.
16 AMD designed special programs, such as the Fusion Partner Program, to engage their channel in
17 distributing their products. AMD also worked with their channel to “define product features,
18 performance and timing of new products so that the products [AMD develops] meet customers’
19 needs.” During the Class Period, Defendants often discussed AMD’s engagement with its sales
20 channel on earnings calls with analysts and expressed a “complete dedication and commitment to
21 the channel.” Read admitted to being intimately involved in the sales process in the channel in
22 particular, stating on September 4, 2012, that he “took over sales in February [2012]…focus[ing]
23 on getting the data and information to really dissect what is going on in the channel, what is
24 going on in the marketplace.” Read also stated that he met with “250, 300 major customer and
25 partners and channel members” for the first five months of his tenure at AMD. Seifert and Su
26 also met with customers (i.e., OEM and channel) to discuss the new Fusion APUs.

27
28

1 **E. AMD's Focus on Emerging Markets**

2 290. Emerging markets were a major part of AMD's business. In 2011 and 2012,
3 China was AMD's largest market, accounting for 57% and 53% of AMD revenues, respectively.
4 During conference calls with analysts during the Class Period, Defendants often touted demand
5 and adoption of AMD products in its emerging markets segment, including China. As
6 Defendants admit, the weakness resulting from prioritizing Llano sales to OEMs over the
7 channel sales manifested primarily in China – AMD's largest market.

8 **F. Defendants' Own Class Period Admissions as to When They Knew About
9 Problems with the Yield and the Supply Chain**

10 291. With regard to the yield problems, Defendants admitted in the October 27, 2011
11 conference call that they knew about the issue "throughout the [2011 third] quarter" and that they
12 knew they would not meet guidance during the quarter. The quote attributable to John Doherty,
13 Head of Manufacturing Operations in ¶285 above: "And again, I repeat, they're not always
14 pleasant meetings. Sometimes they are. In fact, let me assure you, they've got more pleasant in
15 last quarter [4Q11] than they were the last previous quarter [3Q11] [referring to the yield issues
16 with GlobalFoundries]," is indicia that the yield problem was known and discussed during the
17 third quarter of 2011.

18 292. With regard to the channel engagement, Defendants, who tracked monthly
19 demand among their customers, admitted during the September 4, 2012 conference call that they
20 saw the channel problems begin to manifest in the summer of 2011 when the Llano yield supply
21 was tight, and that the channel was not provided with any "real" Llano product until December
22 2011. During the October 27, 2012 conference call Defendants admitted that they did not
23 provide Llano to the channel until late Q411 and saw the weak channel demand as the Company
24 "move[d] forward into 2012."

25 **VII. CLASS ACTION ALLEGATIONS**

26 293. Lead Plaintiffs bring this action on their own behalf and as a class action pursuant
27 to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of a class consisting
28 of all persons and entities that, between April 4, 2011 and October 18, 2012, inclusive (the

1 “Class Period”), purchased or otherwise acquired shares of AMD’s common stock, and were
2 damaged thereby (the “Class”). Excluded from the Class are the Defendants; members of the
3 immediate families of the Individual Defendants; AMD’s subsidiaries and affiliates; any person
4 who is or was an officer or director of AMD or any of AMD’s subsidiaries or affiliates during
5 the Class Period; any entity in which any Defendant has a controlling interest; and the legal
6 representatives, heirs, successors and assigns of any such excluded person or entity.

7 294. The members of the Class are so numerous that joinder of all members is
8 impracticable. During the Class Period, AMD had between 691 million to 711 million shares of
9 common stock outstanding and actively trading on the NYSE with the ticker symbol “AMD.”
10 While the exact number of Class members is unknown to Lead Plaintiffs at this time and can
11 only be ascertained through appropriate discovery, Lead Plaintiffs believe that the proposed
12 Class numbers in the thousands and is geographically widely dispersed. Record owners and
13 other members of the Class may be identified from records maintained by AMD or its transfer
14 agent and may be notified of the pendency of this action by mail, using a form of notice similar
15 to that customarily used in securities class actions.

16 295. Lead Plaintiffs’ claims are typical of the claims of the members of the Class. All
17 members of the Class were similarly affected by Defendants’ allegedly wrongful conduct in
18 violation of the Exchange Act as complained of herein.

19 296. Lead Plaintiffs will fairly and adequately protect the interests of the members of
20 the Class. Lead Plaintiffs have retained counsel competent and experienced in class and
21 securities litigation.

22 297. Common questions of law and fact exist as to all members of the Class, and
23 predominate over any questions solely affecting individual members of the Class. The questions
24 of law and fact common to the Class include:

25 (a) whether the federal securities laws were violated by Defendants’ acts and
26 omissions as alleged herein;

27 (b) whether the statements made to the investing public during the Class
28 Period contained material misrepresentations or omitted to state material information;

(c) whether and to what extent the market price of AMD's common stock were artificially inflated during the Class Period because of the material misstatements alleged herein;

(d) whether Defendants acted with the requisite level of scienter;

(e) whether the Individual Defendants were controlling persons of AMD;

(f) whether reliance may be presumed pursuant to the fraud-on-the-market doctrine; and

(g) whether the members of the Class have sustained damages as a result of the conduct complained of herein and, if so, the proper measure of damages.

298. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy because, among other things, joinder of all members of the Class is impracticable. Furthermore, because the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

VIII. LOSS CAUSATION

299. During the Class Period, as detailed herein, Defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of AMD common stock and operated as a fraud or deceit on Class Period purchasers of AMD common stock by failing to disclose and misrepresenting the adverse facts detailed herein. As Defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price of AMD common stock declined significantly as the prior artificial inflation came out of the Company's stock price.

300. As a result of their purchases of AMD common stock during the Class Period, Lead Plaintiffs and the other Class members suffered economic loss, i.e., damages, under the federal securities laws. Defendants' false and misleading statements had the intended effect and caused AMD common stock to trade at artificially inflated levels throughout the Class Period, reaching as high as \$8.33 per share on March 16, 2012.

1 301. By concealing from investors the adverse facts detailed herein, Defendants
2 presented a misleading picture of AMD's business and prospects. As the truth about the
3 Company was revealed to the market, the price of AMD common stock fell significantly. These
4 declines removed the inflation from the price of AMD common stock, causing real economic
5 loss to investors who had purchased AMD common stock during the Class Period.

6 302. The declines in the price of AMD common stock after the corrective disclosures
7 came to light were a direct result of the nature and extent of Defendants' fraudulent
8 misrepresentations being revealed to investors and the market. The timing and magnitude of the
9 price declines in AMD common stock negate any inference that the loss suffered by Lead
10 Plaintiffs and the other Class members was caused by changed market conditions,
11 macroeconomic or industry factors or Company-specific facts unrelated to Defendants'
12 fraudulent conduct.

13 303. During the Class Period, the price of AMD stock declined as the true state of
14 AMD's operations was revealed to the investing public.

15 304. The economic loss, i.e., damages, suffered by Lead Plaintiffs and the other Class
16 members was a direct result of Defendants' fraudulent scheme to artificially inflate the price of
17 AMD common stock and the subsequent significant decline in the value of AMD common stock
18 when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

19 **IX. APPLICABILITY OF PRESUMPTION OF RELIANCE:
20 FRAUD ON THE MARKET DOCTRINE**

21 305. Lead Plaintiffs are entitled to a presumption of reliance under *Affiliated Ute
22 Citizens of Utah v. United States*, 406 U.S. 128 (1972), because the claims asserted herein
23 against Defendants are predicated upon omissions of material fact which there was a duty to
disclose.

24 306. In the alternative, Lead Plaintiffs are entitled to a presumption of reliance on
25 Defendants' material misrepresentations and omissions pursuant to the fraud-on-the-market
26 theory:

were not accompanied by meaningful cautionary language because risks that Defendants warned of had already come to pass. Fourth, to the extent that there were any forward-looking statements that were identified as such, Defendants are liable because, at the time each of those forward-looking statements was made, the speaker knew the statement was false when made.

A. Many of Defendants' False and Misleading Statements Were Not Forward-Looking

308. For example, the alleged false and misleading statements below (1) relate to historical or current fact; (2) implicate existing conditions; and (3) do not contain projections of future performance or future objectives:

(a) "Today 32 nanometer yields are in line with our expectations..." April 4, 2011; ¶154.

(b) "32 nanometer today is where we want it to be." April 4, 2011; *Id.*

(c) "yields on 32 nanometer are on target..." April 4, 2011; ¶155.

(d) "we left now the 32 nanometer issues behind us." April 4, 2011; *Id.*

(e) "we have ample []product available in the second quarter." April 21, 2011; ¶162.

(f) "We felt very strong channel demand, partly driven by the products that we started to ramp." April 21, 2011; ¶164.

(g) "Currently we have no issues, no tightness in wafer supply. There are no signs today that we are going to be constrained from a pure wafer capacity point of view at this point in time." May 17, 2011; ¶168.

(h) "Customer adoption of Brazos and Llano-based platforms is strong, and sell-through is excellent." July 21, 2011; ¶177.

(i) "Customer demand is strong and momentum is clearly there." October 27, 2011; ¶207.

(j) "We continued to experience strong customer demand for our AMD Fusion family of accelerated processing unit (APU) products during the third quarter of 2011." November 9, 2011; ¶217.

(k) "I think we already said it in one of the other rounds, and we were able to meet customer demand, both in October and November." December 7, 2011; ¶221.

(l) "We've actually increased our Llano 32-nanometer product delivery by 80% from the third quarter. And now Llano makes up almost 60% of the mobile microprocessing revenue. I think this is a good step in the right direction. This gives us the momentum, and we were able to deliver in a more effective way on the customer demands. Is there a strong interest in the product? Absolutely." January 24, 2012; ¶229.

(m) "Unit shipments of our microprocessors, including APU products for mobile devices increased due to strong demand for our Brazos and Llano-based APU platforms."

(n) “The product mix is getting better, the momentum on the infrastructure side, on the service side hopefully continues. So we always set beyond this year. We have line of sight beyond 50% gross margin. And from today’s perspective, there is no reason to deviate from that statement.” May 8, 2012; ¶248.

(o) "Llano is an important product throughout the balance of this year and into 2013." July 19, 2012; ¶267.

(p) “But when we look forward, it’s really the focus on sellout velocity and getting the overall positioning correct with both the CPUs as well as the motherboards. And we think we’re doing that. Trinity will also be an excellent product that will go into the channel, and I think we will run with both products [Trinity and Llano] for some time in the channel.”

309. These statements concern then-existing conditions and their present effects on AMD, specifically (1) Llano production and supply was severely constrained due to undisclosed yield issues, (2) AMD did not begin shipping Llano to the channel until December 2011, (3) channel adoption and demand for Llano was weak following the severely botched product launch, and (4) Llano was no longer a margin accretive product that would continue to sell vigorously alongside its second-generation replacement, Trinity, because demand for Llano was in fact weak, inventory of Llano was building up, and the channel had moved on to producing

1 next-generation motherboards in preparation for Trinity's launch that were incompatible with
2 Llano.

3 310. To the extent any of these statements might be construed to touch on future intent,
4 they are mixed statements of present facts and future intent and not entitled to safe harbor
5 protection with respect to the part of the statement that refers to the present.

6 **B. Several False and Misleading Statements are Not Properly Identified as
7 “Forward-Looking”**

8 311. The PSLRA imposes an additional burden on “oral” forward looking statements,
9 requiring defendants to include a cautionary statement that the particular oral statement is a
10 forward-looking statement, and that “actual results might differ materially from those projected
11 in the forward-looking statement.” 15 U.S.C. § 78u-5(c)(1)(A)(i)-(ii). Defendants failed to both
12 identify the statements as forward looking and failed to include the language required by the
13 Reform Act. The following oral statements made by Defendants were not appropriately
14 identified as forward-looking pursuant to the Reform Act requirements and are therefore not
15 protected by the safe harbor:

16 (a) May 17, 2011 at the J.P. Morgan Technology, Media and Telecom
17 Conference;
18 (b) August 8, 2011 at the Pacific Crest Securities Technology Leadership
19 Conference;
20 (c) September 13, 2011 at the Deutsche Bank Technology Conference;
21 (d) December 7, 2011, Barclays Capital Global Technology Conference;
22 (e) March 1, 2012, Morgan Stanley Technology, Media and Telecom;
23 Conference; and
24 (f) May 8, 2012, Bank of America Merrill Lynch Global Technology
25 Conference.
26
27
28

1 **C. Defendants' False and Misleading Statements Were Not Accompanied by**
2 **Meaningful Cautionary Language**

3 312. None of Defendants' statements were accompanied by meaningful cautionary
4 language that identified important factors that could cause actual results to differ materially from
5 any results projected.

6 313. To the extent Defendants included any cautionary language, that language was not
7 meaningful because any potential risks identified by Defendants had already manifested. As
8 detailed herein, at the time Defendants were touting Llano yields, channel demand, and margins,
9 Defendants knew that (1) Llano yields were "horrible"; (2) AMD had prioritized shipments of
10 the scarce Llano to its tier-one OEM customers over the channel; (3) the delayed launch to the
11 channel and the proximate launch of Trinity eviscerated already tepid demand in the channel for
12 Llano, and; (4) as a consequence, AMD's gross margins and revenue forecasts were
13 unsustainable and an inventory write-down imminent. Thus, vague warnings regarding, for
14 example, how: (1) failure to achieve expected manufacturing yield, (2) supply constraints,
15 (3) faltering adoption of AMD's 32-nm technology, and/or (4) decreased support from
16 motherboard manufacturers "*could*" adversely affect AMD's business, were insufficient because
17 they failed to warn that the risks had already occurred when Defendants made their false and
18 misleading statements.

19 **D. Defendants Knew that the Risks they Warned of Had Already Come to Pass**

20 314. To the extent there were any forward-looking statements that were identified as
21 such at the time made, Defendants are liable for those false and misleading forward-looking
22 statements because at the time each of those forward-looking statements was made, the particular
23 speaker knew that the particular forward-looking statement was false, or, by reason of what the
24 speaker failed to note, was materially false and/or misleading, and/or that each such statement
25 was authorized and/or approved by a director and/or executive officer of AMD who actually
26 knew that each such statement was false and/or misleading when made. For example, at the time
27 such statements were made, Defendants knew that the yield was a current problem adversely
28 affecting the Company.

COUNT I

Violation of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants

315. Lead Plaintiffs repeat and reallege each and every allegation set forth above as if fully set forth herein.

316. This Count is asserted pursuant to Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder by the SEC against all Defendants.

317. As alleged herein, throughout the Class Period, Defendants, individually and in concert, directly and indirectly, by the use of the means or instrumentalities of interstate commerce, the mails and/or the facilities of national securities exchanges, made untrue statements of material fact and/or omitted to state material facts necessary to make their statements not misleading and carried out a plan, scheme and course of conduct, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. Defendants intended to and did, as alleged herein, (i) deceive the investing public, including Lead Plaintiffs and members of the Class; (ii) artificially inflate and maintain the prices of AMD common stock; and (iii) cause Lead Plaintiffs and members of the Class to purchase AMD common stock at artificially inflated prices.

318. The Individual Defendants were individually and collectively responsible for making the false and misleading statements and omissions alleged herein and having engaged in a plan, scheme and course of conduct designed to deceive Lead Plaintiffs and members of the Class, by virtue of having made public statements and prepared, approved, signed and/or disseminated documents that contained untrue statements of material fact and/or omitted facts necessary to make the statements therein not misleading.

319. As set forth above, Defendants made their false and misleading statements and omissions and engaged in the fraudulent activity described herein knowingly and intentionally, or in such a deliberately reckless manner as to constitute willful deceit and fraud upon Lead Plaintiffs and the other members of the Class who purchased AMD common stock during the Class Period.

1 320. In ignorance of the false and misleading nature of Defendants' statements and
2 omissions, and relying directly or indirectly on those statements or upon the integrity of the
3 market price for AMD common stock, Lead Plaintiffs and other members of the Class purchased
4 AMD common stock at artificially inflated prices during the Class Period. But for the fraud,
5 Lead Plaintiffs and members of the Class would not have purchased AMD common stock at such
6 artificially inflated prices. As set forth herein, when the true facts were subsequently disclosed,
7 the price of AMD common stock declined precipitously and Lead Plaintiffs and members of the
8 Class were harmed and damaged as a direct and proximate result of their purchases of AMD
9 common stock at artificially inflated prices and the subsequent decline in the price of that stock
10 when the truth was disclosed.

11 321. By virtue of the foregoing, Defendants are liable to Lead Plaintiffs and members
12 of the Class for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated
13 thereunder.

COUNT II

Violation of § 20(a) of the Exchange Act Against the Individual Defendants

17 322. Lead Plaintiffs repeat and reallege each of the allegations set forth above as if
18 fully set forth herein.

19 323. This Count is asserted pursuant to Section 20(a) of the Exchange Act against each
20 of the Individual Defendants.

21 324. As alleged above, AMD violated Section 10(b) of the Exchange Act and Rule
22 10b-5 promulgated thereunder by making false and misleading statements in connection with the
23 purchase and sale of AMD's common stock and by participating in a fraudulent scheme and
24 course of business or conduct throughout the Class Period. This fraudulent conduct was
25 undertaken with scienter and the Company is charged with the knowledge and scienter of each of
26 the Individual Defendants who knew of or acted with deliberate reckless disregard of the falsity
27 of the Company's statements and the fraudulent nature of its scheme during the Class Period.

1 325. As set forth above, the Individual Defendants were controlling persons of AMD
2 during the Class Period, due to their senior executive positions with the Company and their direct
3 involvement in the Company's day-to-day operations, including its APU, and particularly its
4 Llano businesses.

5 326. By virtue of the foregoing, the Individual Defendants each had the power to
6 influence and control, and did influence and control, directly or indirectly, the decision-making
7 of AMD, including the content of its public statements with respect to its APU, and particularly
8 its Llano businesses.

9 327. These Individual Defendants acted knowingly and intentionally, or in such a
10 deliberately reckless manner as to constitute willful fraud and deceit upon Lead Plaintiffs and the
11 other members of the Class who purchased AMD common stock during the Class Period.

12 328. In ignorance of the false and misleading nature of the Company's statements and
13 omissions, and relying directly or indirectly on those statements or upon the integrity of the
14 market prices for AMD common stock, Lead Plaintiffs and other members of the Class
15 purchased AMD common stock at an artificially inflated price during the Class Period. But for
16 the fraud, Lead Plaintiffs and members of the Class would not have purchased AMD common
17 stock at artificially inflated prices. As set forth herein, when the true facts were subsequently
18 disclosed, the price of AMD common stock declined precipitously and Lead Plaintiffs and
19 members of the Class were harmed and damaged as a direct and proximate result of their
20 purchases of AMD common stock at artificially inflated prices and the subsequent decline in the
21 price of that stock when the truth began to be disclosed.

22 329. By reason of the foregoing, the Individual Defendants are liable to Lead Plaintiffs
23 and the members of the Class as controlling persons of AMD in violation of Section 20(a) of the
24 Exchange Act.

25 **XI. PRAYER FOR RELIEF**

26 WHEREFORE, Lead Plaintiffs respectfully pray for judgment as follows:

27 A. Determining that this action is a proper class action maintained under Rules 23(a)
28 and (b)(3) of the Federal Rules of Civil Procedure, certifying Lead Plaintiffs as class

representatives, and appointing Labaton Sucharow LLP and Motley Rice LLC as class counsel pursuant to Rule 23(g);

B. Declaring and determining that Defendants violated the Exchange Act by reason of the acts and omissions alleged herein;

C. Awarding Lead Plaintiffs and the Class compensatory damages against all Defendants, jointly and severally, in an amount to be proven at trial together with prejudgment interest thereon;

D. Awarding Lead Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including but not limited to attorney's fees and costs incurred by consulting and testifying expert witnesses; and

E. Granting such other and further relief as the Court deems just and proper.

XII. JURY DEMAND

Lead Plaintiffs demand a trial by jury of all issues so triable.

Dated: June 11, 2014

/s/ Jonathan Gardner
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10 *Liaison Counsel*

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CERTIFICATE OF SERVICE

I, the undersigned, state that I am employed in the City and County of New York, State of New York, that I am over the age of eighteen (18) years and not a party to the within action, that I am employed at Labaton, Sucharow LLP, 140 Broadway, New York, New York 10005, and that on June 11, 2014, I served a copy of the attached:

**CORRECTED AMENDED CLASS ACTION COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

to the parties listed on the attached Service List by the following means of service:

[X] BY E-FILE: I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the e-mail addresses denoted on the attached Electronic Mail Notice List, and I hereby certify that I have mailed the foregoing document or paper via the United States Postal Service to the non-CM/ECF participants indicated on the attached Service List.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on the 11th day of June, 2014.

/s/ Jonathan Gardner
JONATHAN GARDNER

1 **Mailing Information for a Case 3:14-cv-00226-JD**
2 **Hatamian et al v. Advanced Micro Devices, Inc. et al**

3 **I. Electronic Mail Notice List**

4 The following are those who are currently on the list to receive e-mail notices for this case.

- 5 • **Jonathan Gardner**
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14 **II. Manual Notice List**

15 The following is the list of attorneys who are **not** on the list to receive e-mail notices for this case
(who therefore require manual noticing). You may wish to use your mouse to select and copy
16 this list into your word processing program in order to create notices or labels for these
recipients.

17 • (No manual recipients)